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ABSTRACT

This volume, number two in a series of three, investigates the relationship between modes of finance for primary schools and educational policy objectives in the countries of the United Kingdom, the United States, and Yugoslavia. The first purpose of the book was to tell the history of educational finance arrangements in order to frame the context within which present arrangements operate. A second purpose was to present current policy objectives and to describe the link between these objectives and the financial instruments used to achieve them. Finally, the country studies were intended to provide some insight into the effectiveness of these instruments, or lack of it, in achieving their intended purpose. Each of these studies is meant to stand independently, useful in itself as a country description and analysis of the choice, use, and effectiveness of current financing arrangements in achieving policy goals for primary schools. (Author)

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EDUCATIONAL FINANCING AND POLICY GOALS FOR PRIMARY SCHOOLS

✱

GENERAL REPORT
(Forthcoming)

✱

COUNTRY REPORTS

VOLUME I

AUSTRALIA CANADA GERMANY

VOLUME II

UNITED KINGDOM UNITED STATES YUGOSLAVIA

VOLUME III

NETHERLANDS NORWAY SWEDEN ITALY

✱

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PREFACE

This volume is one of a series of three reporting ten country studies: Australia, Canada (the province of Ontario), the Federal Republic of Germany, Italy, the Netherlands, Norway. Sweden, the United Kingdom (England and Wales), the United States (Florida and California), and Yugoslavia, prepared during 1976 to investigate the relationship between modes of finance for primary schools and educational policy objectives. They are the outcome of the first phase of activity in the CERI project on educational financing and educational policy and as such they have attempted to fulfil a number of purposes. The first was to provide a description of the history of primary educational finance arrangements in order to frame the context within which present educational finance arrangements operate. A second was to present current policy objectives and to describe the linkage between these objectives and the financial instruments which are used to achieve them. Finally, the country studies were intended to provide some insight into the effectiveness of these instruments—or lack of it—in achieving their intended purposes. Each of these studies is meant to stand independently, useful in itself as a country description and analysis of the choice, use and effectiveness of current financing arrangements in achieving policy goals for primary schools.

The presentation of these ten country studies in three volumes is as follows:

Volume I:	*Volume II:*	*Volume III:*
Australia	United Kingdom	Netherlands
Canada	United States	Norway
Germany	Yugoslavia	Sweden
		Italy

A general comparative report, based on the data and judgements provided by the authors of the country studies, is also being published. This report summarises the variety of approaches that individual countries use to finance their primary schools and describes major trends in school finance policy in each country. It then compares and contrasts the diverse arrangements which countries have developed to accomplish a number of educational policy objectives. These include equality in educational resources and/or equity in access to resources, provision for special educational needs, decentralisation of control in educational decision-making and enhancement of parental (or student) choice among educational alternatives. Findings from this report will form a basis for further work to be undertaken in the area of educational finance and organisation.

UNITED KINGDOM

(England and Wales)

by

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Chapter I

INTRODUCTION

Primary education in the maintained schools of England and Wales takes place broadly speaking from five to eleven years of age[1]. This is followed by a period of compulsory secondary schooling from ages eleven to sixteen, and optional secondary schooling from sixteen to eighteen plus. The early starting age is, of course, traditional, as is the attempt right from the start to introduce formal modes of instruction. There are provisions for primary schools to take so-called "rising fives", and within the maintained system there is a sizeable and growing nursery sector. (Plans for a much faster rate of expansion of nursery places have had to be temporarily abandoned for economic reasons). In addition, complications arise from the existence of middle schools in some areas catering for an age range which is partly primary and partly secondary[2]. It is also worth bearing in mind that, although the large majority of children are educated in state schools, there is a small minority educated privately in what are called preparatory schools. Since typical preparatory schools take children at nine years of age, many, if not most of their pupils will have spent some time in primary schools. (Table 3 below shows the numbers of pupils in school over the past two decades.)

The education system in England and Wales is highly decentralised. In formal terms it comprises three parts; the Department of Education and Science headed by a Secretary of State, the local education authorities, and the schools and colleges themselves. In the more positive terms of power and influence we may distinguish the following: the politicians (central and local), the officials (central and local), inspectors, advisers, and technical experts, teachers and parents.

While, as we shall see, the Secretary of State has certain powers and can exert strong pressures, especially, because of the extent to which expenditure is centrally financed, his position is much more limited than that of his counterparts on the continent of Europe. A distinguished commentator once pointed out, however, "Visitors from overseas, when they notice several schools of the same type with much the same timetable, often express surprise and even doubt whether our teachers are as free in this respect as they are reported to be[3]".

The local education authorities are most significant bodies within the British system. They are not simply to be regarded as the agents of central government,

1. State schools in England and Wales are called *maintained* schools. As is well known they are *not* called public schools. That is a designation reserved for a number of private schools, mostly established many years ago!

2. In other words, some local authorities have decided on the following structure: —(*a*) Primary, 5-9, (*b*) Middle, 9-13, (*c*) Secondary, 13-16.

3. W.O. Lester Smith, *Education, an Introductory Survey*, 1957, p. 170.

and can exert considerable influence on the schools they are responsible for. This is so even though local taxes finance only a small fraction of their expenditure. More than half the funds they dispose of are received from the central government[4].

There are 104 l.e.a.s in England and Wales and they themselves retain considerable power and influence in determining what actually happens in education. Although education in England and Wales is frequently described as "a national system locally administered", it could be argued that this tends to underestimate the relative position of local government and exaggerate that of central. What is, perhaps, more important to bear in mind is the contention that the power of local government has been growing. Even this, however, while it would have been taken for granted by a majority of experts, may be seen to be somewhat controversial in the light of the recent decision by the House of Lords concerning the ability of the Secretary of State to determine what is "reasonable"[5]. It is difficult to argue as was done not so many years ago that the Secretary of State has nearly "complete power if he chooses exercise it"[6].

Within the local authority it is important to distinguish the power and influence of the elected representatives from that of officials and expert advisers. (Elected representatives are unpaid and are typically part time.) This is also important for a correct understanding of the central government. It should be understood, however, that local politicians tend to be rather more permanent than national ones. This is because in many areas there is rarely if ever change of political control, and in others both majority and minority parties tend to cooperate on many matters of an educational nature. Thus, it would be a mistake to assert that continuity is largely provided by the professional side. Indeed, having just passed through an era of high labour mobility, both of teachers and officials, the reverse may be true.

The third main force at work are the teachers. It appears to be the case that they are subject to much less political and administrative control than teachers in other countries. They retain a great deal of independence within the school and *a fortiori* within the classroom.

It is worth mentioning that the independence and *de facto* power of the teachers is not enshrined in statute. It has risen in response to circumstances, and could be regarded by some as necessarily filling a genuine gap. Others regard it as a contradiction of the 1944 Act which gave the governors of the school oversight of its "curriculum and conduct"[7].

Any interpretation of the British system requires an examination of all these forces, and an appreciation of the independence of each of them. Indeed, there is a sense in which there is not a *system* in Britain, but rather a legal framework within which many independent bodies operate. It is also necessary to add that the position in this country is in a state of flux[8]. There are forces pushing in the direction of increasing central control. But there are other forces laying greater stress on local autonomy and on greater parental power (which is not the same thing). A question of some significance is whether these changes are primarily a response to educational needs or are more the consequence of economic and financial difficulties. There

4. Approximately 45 per cent of local expenditure is met by local taxation. This compares with 60 per cent ten years ago.

5. Secretary of State for Education and Science v. Thameside. House of Lords, August 2nd, 1976.

6. Anne Corbett, "Education in England" in *Education in Great Britain and Ireland*, eds. Bell, K., Fowler, G., Little, K., 1973, p. 2.

7. Anne Corbett, *Whose Schools*, Fabian Society, 1976. G. Baron and D. Howell, *Government and Management of Schools*, 1974.

8. Reference may be made to the recent speech by the Prime Minister on October 18th, 1976 at Ruskin College, Oxford, and to the debate and widespread process of consultation which has stemmed from that.

can be no doubt that much of the tendency towards greater centralisation does emerge from present economic difficulties, rather than as a response to educational needs.

The emerging role of parents is an interesting contrast with the normal political and administrative arrangements of this country. In fact, the 1944 Education Act stated "the general principle... pupils are to be educated in accordance with the wishes of their parents...", but it then added "... as far as it is compatible with the provision of efficient instruction... and the avoidance of unreasonable public expenditure"[9]. Until now these provisos have seriously restricted parental choice of school, let alone parental influence in schools. But it would be wrong to say that there has been no choice and no influence. Although the schools are not directly financed by fees, and thus no pressure of that kind can be exerted by users of the system, the past decade or more has seen growing demands by parents for greater involvement, and increased rights (or recognition of existing rights). This is, of course, characteristic of other countries too, but the position in England and Wales may well be entering a crucial phase. The reason for this is twofold. In the first place, education itself is being subject to rather more criticism than was customary ten years ago[10]. Whether this is a dissatisfaction with insufficiently rising standards or is connected with absolute failure in certain schools chiefly in urban areas is hard to say. Part may simply be that criteria of assessment by interested parents have gone up more rapidly than achievement. In other words, this is part and parcel of the "revolution of rising expectations". But some dissatisfaction and concern undoubtedly exists. Secondly, there was set up in 1975 a committee of enquiry into governors and managers of schools which is due to report in the near future. The report of this committee is bound to take a view on the relative positions of elected representatives, officials, teachers and parents in determining the goals and operating characteristics of schools in Britain. We comment on this below.

It may also be added that a large scale enquiry into the financing of local authorities has just been completed and published[11]. While it can hardly be said that the Layfield Committee has discovered anything new, and it almost seems that it has added confusion to what was already an obscure state of affairs, it does bring to the forefront the financing problems of local education authorities, and the relationship between the tasks of those bodies and their access to funds.

9. Education Act, 1944, Section 76.

10. The press and the media generally have contained many complaints about educational standards. These have been intensified following the Prime Minister's speech.

11. *Local Government Finance*, Report of the Committee of Enquiry, 1976. Chairman Frank Layfield. Cmnd. 6453. The Committee of Enquiry into Governors and Managers was set up in May, 1975 with Councillor Tom Taylor as Chairman. Its terms of reference were, "To review the arrangements for the management and government of maintained primary and secondary schools in England and Wales, including the composition and function of bodies of managers and governors, and their relationship with local educational authorities, with head teachers and staffs of schools, with parents of pupils and with the local community at large; and to make recommendations".

Chapter II

A GENERAL PERSPECTIVE

According to the latest figures (1974)[12] there were 22 712 primary schools in England and Wales catering for 4.97 m. pupils. The number of teachers employed in these schools was 201 th. of which 190 th. were full time. The average class size was 30.3. The schools themselves varied in size from less than 100 pupils to over 600. The median size of school contained 282 pupils.

Table 1 gives the size distribution of schools.

Table 1

Pupils	Per cent	Pupils	Per cent
Less than 100	5.8	300-400	23.5
100-200	17.2	400-600	18.6
200-300	33.4	More than 600	1.9

Total expenditure on primary education was £727.5 m. Of this teachers' salaries accounted for £511 m., or 70.2 per cent. Total salaries were equal to 80.9 per cent of the total, premises, etc., 13.5 per cent, and supplies (i.e. books, materials, etc.) 4.9 per cent).

As an interesting example of a "statistical constant", Table 2 gives teachers' salaries in primary schools over the past decade.

Table 2

	1963/64	1970/71	1971/72	1972/73	1973/74
Teachers' salaries (£m.)	177.4	327.9	382.2	453.7	511.0
Percentage of current expenditure	71.4	70.2	69.8	70.3	70.2

The ratio has hovered around the 70 per cent mark since 1950, but in the few years before that it was distinctly higher.

12. Department of Education and Science, *Education Statistics*, vol. 1-5, 1975.

Table 3 shows the broad pattern of development over the past twenty years.

Table 3

	1955	1960	1965	1970	1974
Schools (thous.)	23.7	23.5	22.9	23.0	22.7
Pupils (thous.)	4 600.9	4 201.1	4 273.1	4 903.2	4 972.0
Teachers (thous.)	148.7	144.7	151.1	179.5	201.1
Pupils/Teacher	30.9	29.0	28.3	27.4	24.7

Note the decline in pupil numbers over the first decade followed by expansion in the second. (There had also been rapid expansion in the decade before 1955.)

The most clear-cut interpretation of these figures over the two decades 1955-74 is of expansion of pupil numbers, but faster expansion of teachers leading to a significant drop in the pupil-teacher ratio, especially in recent years[13]. Another way of looking at this is to note that to maintain the standards of 1955 in 1974 would have required 160.7 th. teachers. The primary teaching force in 1974 was 201.1 th., an increase of 52.4 th. Of these only 12.0 th. were needed to maintain the earlier pupil-teacher ratio. In other words, 77 per cent of the increase in teacher numbers was to improve the pupil-teacher ratio. From 1955 to 1965, however, the improvement in the pupil-teacher ratio was modest. It has, therefore, been stated that "... the major improvements noted by the Plowden Report must be mainly due to better teaching[14]".

The figures for public expenditure on primary education are given in Table 4.

Table 4

	1959/60	1963/64	1970/71	1971/72	1972/73	1973/74
Current (£m.)						
Primary	187.7	248.5	467.1	547.3	645.2	727.5
Total education	533.3	794.9	1 631.1	1 917.2	2 287.0	2 608.4
Percentage	35.2	31.3	28.6	28.5	28.2	27.9
Capital (£m.)						
Primary	17.1	31.6	88.0	109.4	132.6	167.9
Total education	115.8	188.8	326.6	399.5	472.3	550.1
Percentage	14.8	16.7	26.9	27.4	28.1	30.5

CURRENT EXPENDITURE

As far as current expenditure is concerned, it is apparent that, while expenditure on primary education has expanded, contrary to popular belief, it has not in aggregate over the longer term expanded relative to educational expenditure in general. It appears to have fallen comparatively in the sixties and stabilised in the seventies. Turning to capital, the story here is very significantly different.

13. It is, perhaps, worth remarking that the pupil-teacher ratio is not the same as the average class size, and that each has a significant variance.

14. The report of the Plowden Committee, *Children and their Primary Schools* was published in 1967. A useful discussion of it appears in *Perspectives on Plowden*, ed. R. Peters, 1969.

CAPITAL EXPENDITURE

Capital expenditure on primary schools (chiefly buildings) has increased tenfold in money terms in a decade and half, and has doubled its share of total capital expenditure on education. It is interesting to note that this shift occurred towards the end of the 1960s, and is, presumably, correctly to be regarded as a post-Plowden phenomenon. Reference is made in *A Framework for Expansion* (1972) to a government promise "to bring about a shift of resources within the education budget in favour of primary schools[15]". If building was being referred to, the shift of resources appears to have begun a few years earlier. If it was recurrent expenditure, the shift in resources was altogether less evident.

To put the matter into perspective certain comparisons may be made with secondary education. This is important if for no other reason than that it throws light on the question of whether the expansion of one sector has been largely or entirely because of or at the cost of no expansion elsewhere. To some extent this has already been done by considering the ratio of primary education to the total. Table 5 gives the figures for the pupil-teacher ratio in secondary schools.

Table 5

	1955	1960	1965	1970	1974
Pupils per teacher	19.3	21.0	18.5	17.9	17.1

Here too there has been a significant improvement over the two decades, but clearly not to the same extent as in primary schools. What is also apparent is that there has not been quite the same distinct jump in the early 1970s.

PRIMARY SCHOOLS IN POST-WAR PERIOD

Before making a further comparison, reference must be made to some broad characteristics of educational history in the post-war period.

There are said to have been two phases in the post-war history of primary education that need to be distinguished in understanding their present position. It is not too much to say that up to the early 1960s this sector was regarded as rather neglected and it was even alleged that it was discriminated against. This was the period of considerable increase in the child population (especially up to the mid-1950s), and of teacher shortage; and many people, notably teachers, felt that the schools were seriously underprovided with resources and that they were far too frequently expected to do their work in unsatisfactory buildings. The accepted maximum class size was forty (as compared with thirty in secondary schools) and a significant fraction of children were being taught in groups larger than that. (It should be added that the extent to which primary schools were neglected should not be exaggerated. The percentage increase in the number of pupils in secondary schools between the end of the war and the 1960s was much larger than that of primary school pupils. It was, therefore, obvious that the one sector should receive relatively more money than the other.)

From the mid-sixties until the present day there has been a change in the climate of opinion and far from primary schools being neglected successive ministers have

15. *A Framework for Expansion*, D.E.S., Cmnd. 5174, 1972.

tried very hard to divert resources to this sector and to emphasise the importance of the early years to the whole process of educational development. As we have noted, there has been a major primary school building programme, devoted partly to replacing and improving old buildings, pupil-teacher ratios have been improved, and class sizes have diminished. In 1965 the secondary school building programme was fifty per cent larger than the primary, whereas in 1970 it was less than 30 per cent larger. More to the point, following the Plowden Report, primary education as such has been a major area of public interest and debate. Although both their methods and aims have been the subject of controversy for an extremely long period of time, there can be no doubt that this has intensified in the past decade.

To emphasise the improved position we can add to the material in Table 3 (i.e. that the average pupil-teacher ratio has fallen from 30.9 in 1955 to 24.7 today) some additional facts on class sizes. The fraction of classes over 40 is now down to 1.5 per cent compared with over 15 per cent ten years ago. Only 2.3 per cent of children are in such classes, and a disproportionate number of them are almost certainly transitory cases. In Wales the position is even better. Only 0.8 per cent of classes are over 40, taking 1.3 per cent of pupils.

To return to our comparison with secondary education and the need not to exaggerate the importance of primary developments, there are some further useful statistics to examine. The Department of Education and Science publish figures of what is called "net current institutional expenditure per pupil". Broadly speaking, these measure the average or normal cost per pupil by type of institution. In Table 6 we show net current institutional expenditure per pupil in secondary schools as a fraction of that in primary schools.

Table 6

	1965/66	1972/73	1973/74	1974/75
Less than 16 y.o.	1.56	1.67	1.59	1.52
16 y.o. and over	2.81	3.04	2.84	2.93

Neither sets of figures show any startling shift of expenditure per pupil through the decade. If anything there was for a while a tendency to spend relatively more on the secondary pupil which is beginning to be reversed in the seventies. It is, perhaps, worth adding that, compared with the *early* sixties, the improvement in the relative position of the primary schools is rather more distinct.

There is one other aspect of primary school expenditure which is worth mentioning at this point. The figures we have cited are in current prices. They may be converted approximately into real figures at constant prices by dividing them by the implicit deflator for education current expenditure[16]. The data are given in Table 7.

Table 7

	1959/60	1963/64	1970/71	1971/72	1972/73	1973/74
Education price index	53	67	100	108	119	127
Primary school expenditure at constant prices	352	371	467	505	542	572

16. The publication *National Income and Expenditure 1965-1975* contains figures for current expenditure on goods and services in education at actual prices and at 1970 prices. Table 2.1 and Table 10.2.

Over the fourteen years expenditure in real terms has increased by 63 per cent, and over the more recent ten years by 54 per cent. The former corresponds to an average growth rate of 3.6 per cent *per annum* and the latter to 4.4 per cent *per annum*. In both cases the expansion is rather faster than gross domestic product.

If we compare the figures in this table with those in Table 3, it may be inferred that real expenditure per pupil has increased from about 1960 onwards by about 37 per cent, i.e. at an annual rate of 2.3 per cent.

Another relevant aspect of primary education is its division by region and by local education authority. In Table 8 we show the pupil-teacher ratio in primary schools by region at January, 1974.

Table 8

Region	Pupils/Teacher	Region	Pupils/Teacher
North	24.5	East Anglia	24.2
Yorks and Humber	24.6	Greater London	23.7
North West	25.7	Other South East	25.1
East Midlands	25.6	South West	25.5
West Midlands	25.8	Wales	23.8
England and Wales	24.7		

The standard deviation of this series is 0.8, and pretty well all the figures lie within just over one standard deviation of the mean. This suggests that pupil-teacher ratios in primary education are fairly constant right across the country. It should be remembered, however, that these regions are quite large, and, therefore, they represent a considerable averaging over the individual local authorities.

We also have some data for 1974 on costs per pupil in primary schools in different local education authorities. These are shown in Table 9[17].

Table 9 (£)

Counties	Average	Max.	Min.	Max./Average	Min./Average
England (39)	219	252	191	1.15	0.87
Wales (8)	232	279	221	1.20	0.95
London boroughs (19)	241	262	202	1.09	0.84
I.L.E.A.	300				
Metropolitan districts (2)	215	248	183	1.15	0.74

Comparing the five main groups, although it may be readily agreed that this is a matter of judgment, the range of expenditure per capita appears to be quite large. Equally within groups, the range of all local education authorities lies within plus or minus fifteen per cent of the mean. One possible basis for a judgment whether such

17. Institute of Municipal Treasurers and Accountants, *Education Statistics*, 1975.

a variation is to be regarded as large or small would be to try and divide it into component parts. Some of the variations will be due to differences in circumstances and would still exist if local government were subject to stricter central control. But part must be attributable to policy differences. Unfortunately, not enough research has been carried out yet to divide up the total variation in this way with a sufficient degree of accuracy to pronounce on the issue. One study has shown that the coefficient of variation (i.e. standard deviation divided by the mean) of pupil-teacher ratios in l.e.a. primary schools was 0.1 in 1963 and 0.08 in 1973. The coefficient of variation of teaching costs per child fell from 0.15 to 0.09[18].

To reiterate, it is a matter of judgment whether these figures are regarded as large or small. Certainly they fall over the decade, implying greater homogeneity of provision. It may also be said that they are larger than the corresponding figures in secondary education[19]. Suffice it to say experts exist supporting any one of the logically possible inferences! And it must be reiterated that homogeneity of inputs or finance does not imply homogeneity of outputs or objectives.

The final comments in this section relate to the future. What is basic to any understanding of developments in the remainder of this century is the decline in the number of births in England and Wales which has been going on since 1964[20]. What is specially difficult to take a view on is whether and to what extent this will be reversed. Almost all projections assume that there will be a turn round in the next year or so, but they differ in extent and in their assumptions about a further downturn in due course. In England and Wales the primary school population is expected to fall by about 25 per cent in the next ten years, and then rise by 31 per cent in the following decade. A low projection puts the first decline at 32 per cent and the subsequent rise at 36 per cent. This emphasises both the considerable dynamic variation that the system has to adjust to in the rest of this century, and the uncertainty surrounding the planning process.

In the shorter term real current expenditure on primary schools is planned to fall by 7 per cent in the next four years. This is to be compared with a growth of 15 per cent in the previous four years. It also represents a setback on the plans for this period as they were envisaged a year ago. This too emphasises the uncertainty within which local education authorities have to take decisions. Furthermore, some of that uncertainty stems from inside the government machine, namely from the central government itself.

18. A useful discussion of differences in access and performance is to be found in J. Barnes, "Schools", in *Inflation and Priorities*, ed. R. Klein, 1975. See also G. Taylor and N. Ayres', "Levels of Educational Provision in Local Authorities in England" in *Decision Making in British Education*, eds. G. Fowler, V. Morris, J. Ozga, 1973.

19. *ibid.*

20. The number of births in England and Wales in the past couple of decades has been as follows:

	Annual average (thous.)		
1951-1961	839	1974	721
1961-1971	962	1975	688
1973	752		

Source: Census of Population reports: Population projections: 1975-2015.

The figures are officially projected to rise to 882 in 1981-1991 and fall again to 793 in 2001-11.

Chapter III

THE GOVERNANCE OF PRIMARY SCHOOLS

Although the broad responsibility for public education lies with the Secretary of State for Education and Science in England, and the Welsh Secretary in Wales, the direct responsibility for its provision and thus for primary schools in particular lies with the local education authority, and it is from that authority that finance is made available. In particular, the teachers in primary schools are the employees of the l.e.a., although their rates of pay and conditions of service are set nationally at the Burnham Committee[21].

When, however, we come to the exercise of public authority over the individual school, we immediately come face to face with the problem of governors and managers.

That is the sense of "governance" that must now be discussed. The fact that the publicly maintained schools of England and Wales have "governors" or "managers" may seem to be of great significance to the uninitiated. It must be emphasised, therefore, that they have limited powers and responsibilities for individual schools or groups of schools, and virtually none of a financial kind.

Typically the managers of primary schools are nominated by the local education authority (which is itself an elected body)[22]. Many of the nominees are themselves elected members of the local education authority and some others are nominated on political grounds. It is frequently, but not always the case that the majority party in the l.e.a. makes certain that its nominees constitute a majority on the school governing or managing body.

There is at the present time no formal requirement that among the school governors or managers should be found parents of children attending the school or independent members of the local community with special interest in education. Nonetheless, a great many l.e.a.s make provision for precisely such representation. As in many other countries, it is in this area that strong pressure has been exerted in recent years to change the composition of governing and managing bodies. Educational pressure groups, notably those made up of parents, have sought a bigger role

21. The Burnham Committees are the bodies responsible for negotiating pay and conditions nationally. They comprise representatives of the teachers, local education authorities, and the Secretary of State with an independent chairman. The Committee determines both a basic salary scale and a series of other scales. The number of higher scale posts within a school depends on such factors as size, and age composition of its pupils. We have remarked how limited the l.e.a. is with respect to salaries. While a teacher must be paid according to which scale he is on, the l.e.a. has some discretion to vary the number of higher scale posts within an individual school.

22. A detailed account of the composition of governing bodies in practice will, no doubt, appear in the Taylor Committee of Inquiry into Governors and Managers. For the moment useful information is to be found in Baron and Howell, *op. cit.*

in running schools, and one which has a more definite statutory foundation. The committee of enquiry which we have already mentioned and which is expected to report by the end of this year or early next was set up as a result of such pressure. A great deal of the evidence it has received recommends reforms extending the composition of governing bodies, and reducing their political domination. What is not clear yet is how it will respond to this evidence and whether it will also recommend an increase in the powers of governors, especially as these pertain to financial matters.

As far as the financing of primary schools is concerned, in almost all cases the role of the governors has been reduced virtullay to zero. (Curiously enough, if the history of school governors is traced back over the last hundred years, one of their main responsibilities is seen to have been the control of financial matters[23].) Nowadays they are presented with estimates produced by local officials (who in turn have already consulted the head). The most governors then can do in practice is to query some minor items, and let almost all the remainder go through. One reason why this happens is the obvious one; the governing body is dominated by the education committee who have already taken the major decisions. It should be added that an authority such as Sheffield, which has been in the forefront of reform of governing bodies, and claims many benefits from the extension of their membership, does not seem to have introduced major changes in financing. There have, however, been authorities such as Hertfordshire which have left five per cent of individual school budgets "free" to be disposed of by the governors, and by implication the teachers. One may offer the comment that, without such freedom, any extension of the control of the curriculum by governors and managers would tend to be nugatory.

On curriculum, "the general oversight of the school and its curriculum" has tended to mean receiving a very general report from the Head, and simply accepting it. Governors have readily accepted the Head's dominating position, and have been wary of interfering with the professionalism of teachers. To quote the leading researchers in this field, "... there is a feeling that laymen are not competent to raise educational matters themselves, and a reluctance to challenge the Head on his own ground; and there is a general desire to avoid demarcation disputes over the respective responsibilities of Heads and governors. The net result is that in very many cases governors have only a perfunctory interest in the curriculum[24]...".

Teachers, other than head teachers, are nowadays often members of school governing bodies. But, while they are clearly an important component of the partnership which comprises the British education system, this is not to be seen in terms of their role as governors of schools, or even for the most part statutorily in terms of the government of the system[25]. Many local education authorities allow teachers' unions to nominate additional members to their education committees, and many teachers themselves are active in local politics and when elected are *ipso facto* concerned with educational decision making. In many other cases there is statutory provision for teacher representation (even close to majority representation) on such advisory bodies as the Schools Council[26]. Here too they have considerable influence on the choices that are made, but in terms of national and local planning and financing their direct powers are limited.

23. Baron and Howell, *op. cit.*
24. Baron and Howell, *op. cit.*
25. Any reinterpretation of the future role of the teachers must pay some attention to the general emergence of industrial democracy in our society. There is yet another committee investigating this subject under Lord Bullock and it would be premature to anticipate what might be contained in its report. Suffice it to say that teachers will expect no fewer rights of participation and control of their working environment than other workers are granted. Nonetheless, there are complexities of democracy within public service (because it is a service and, therefore, directly, involves the consumer by definition) which do not appear in ordinary manufacturing industry.
26. The extent of teacher representation on the Schools Council has been queried by the

(Continued on next page)

On the question of curriculum, it should not, of course, be taken for granted that teachers themselves only have one view. In setting the school's objectives it will be rare that the teaching body will be of a single opinion. Some breadth of approach would obtain, therefore, even if the teaching profession were the sole controllers of the purposes of the school. Indeed, the flexibility, the lack of tightness of control, applies within the school itself. Even if the head teacher is "undemocratic" and does not consult assistant teachers, or allow them to participate in the formal decision making processes of the school, he or she is unable to control what is done in the classroom with any degree of rigour. (It may even be that consultation and participation would actually lead to more uniformity rather than less.) Clearly, "professionalism" does not necessarily lead to homogeneity. There is an amusing aspect of this which is worth noting. The Schools Council has been criticised for being too teacher-dominated. Yet the leader of the National Union of Teachers, himself a member of the Schools Council, has said, "Whatever the council devises, the freedom of the teacher is paramount[27]".

THE LOCAL EDUCATION AUTHORITIES

To revert to the local education authorities, it is here that staffing decisions are taken together with decisions concerning the provision of resources for the purchase of textbooks, stationery, consumables, etc. The l.e.a. also meets the bills for heating, lighting, maintenance, security, etc. While school building is also nominally under the control of the l.e.a., practical control rests with the Secretary of State, and he himself is subject to Treasury Control. The local authority, so to speak, applies to central government for permission to spend its own money.

Normally, the l.e.a. will lay down staffing standards for the primary schools under its control, together with basic capitation allowances for other expenditure. Some of the latter are tightly controlled, but the use of part is left to the head teacher's discretion. Despite such standards, however, not all schools within an l.e.a. are treated identically, and, as we have indicated, it is certainly not the case that all l.e.a.s themselves use exactly the same standards. The role of the Secretary of State is limited in the first instance, via information supplied by Her Majesty's Inspectorate, to the determination and laying down of certain minimum standards of provision. As we shall see, he also uses his influence (sometimes backed up by the threat, explicit or implicit, to obtain statutory powers) most notably in the past to raise standards of provision either generally or to meet specific needs, but now rather to prevent excessive expenditure given the country's economic difficulties.

Obviously, the standards of provision for primary education will be determined according to what is educationally necessary or desirable, on the one hand, and what can be afforded, on the other. Ends and means may be expected here and elsewhere to be interrelated in the usual way, but it is worth noting that individual authorities have differed significantly as to whether they gave priority to one rather than the

(Note 26, continued)
House of Commons Education, Arts and Home Office Sub-Committee of the Expenditure Committee. In their report, *Policy Making in the Department of Education and Science*, they recommend, "we believe a strong case can be made for a greater lay participation on the Schools Council so that it is able to channel outside opinion, as well as those of professionals, about curricular development to the schools", p. *xxvi*.

27. The Schools Council itself was set up in October, 1964. Its Governing Council comprises 77 members, of whom 38 are nominated by various teaching bodies, including 17 from the National Union of Teachers. Its budget currently exceeds £2 m., and "The object of the Schools Council shall be the promotion of education by carrying out research into and keeping under review the curricula, teaching methods and examinations in schools, including the organisation of schools so far as it affects their curricula".

other. Thus, some local education authorities have concentrated not merely on meeting existing demands or following the latest educational fashions, but have themselves endeavoured to give a lead, and sought to create new demands. They have tended constantly to question what they are doing in their primary schools, tried to raise standards of their own accord, and be in the forefront of new developments. They have then gone on to determine an education budget as a consequence of educational choice, and have used that as a means of putting pressure on the finance committee to make the necessary funds available. Other authorities have been more dominated by financial constraints in the first place, and taking likely funds as given have then concentrated, firstly, on meeting existing commitments, and then limited themselves to new developments, if any, with any money left over. Ultimately, all authorities have to balance ends and means, it is simply that some may be regarded as more education minded and some more economy minded. More generally, we have a spectrum of authorities each one having a position nearer to or further from educational or economic considerations[28]. In the past year, and presumably for several years from now on, there has also been and will continue to be a shift in the overall spectrum towards the economy end. Indeed, it is not too much to say that for the remainder of the seventies no authority will be able to pursue entirely new educational objectives that require extra financing.

Local education authorities differ not only in their attitude to education as such, but also in the relative priority they give to primary education. (We have already touched upon this in our presentation and discussion of Table *ix*.) Thus, even within a budget more or less rigidly constrained, they retain room for manœuvre between (say) the nursery, primary, and secondary sectors. Since the publication of the Plowden Report in 1965, and especially while the previous government was in power, a shift occurred in the climate of opinion in favour of primary education. This was reflected to some extent in a shift of resources in the same direction. Once again, within that some local authorities gave greater emphasis still to that age group while others chose to spend their money in different ways.

This leads us to a further point concerning limitations to choice. Education is compulsory in Britain between the ages of five and sixteen. (The school leaving age was raised from 15 to 16 in 1975.) These ages are currently interpreted to mean at worst the school year following that in which the child reaches five for starting, and the Easter vacation or summer term of their sixteenth year for leaving. For much of the post war period the number of births was growing, as have staying on rates in all optional areas of education. The result has been that the main educational need that has had to be met is simply one of numbers. There has been, as we have seen, a distinct rise in provision per capita, but the dominant force at work has been a demographic one. First priority has had to be given to meeting growing demands at existing levels of provision. While this has been a difficult business for the l.e.a.s, given that resources are scarce, it has eased their lives in the sense of enabling them to avoid the intellectual problems connected with the question, What are we to do?

In addition to the effect of the growth in total primary school numbers there has also been considerable mobility of the population within the country. Some local authorities have experienced very rapid expansion in numbers, well above the national average; others have experienced little or no expansion, even contraction. For the most part this too represents a force outside the control of local government, at least in the short and medium terms. Education committees, therefore, have been obliged to adapt to circumstances rather than being able to change them to meet available facilities. Since, however, educational resources themselves are not highly mobile,

28. M. Peston and M. David, "Planning in Local Education Authorities", *Local Government Studies*, June, 1973.

buildings least of all, population movement has added to the overall cost of education as well as obliging the national government to take detailed account of changing local circumstances in deciding on the distribution of central funds. When the whole system was expanding rapidly, the extra cost of mobility may not have been disproportionately great. But, now that births are falling, so that the primary school population is also starting to decline, some areas will have significant amounts of under-utilised fixed resources while others will continue to be in difficulties in finding sufficient places. The latter will continue to have the same problems as dominated the sixties, but with less money. The former are entering a new era involving choice of which schools to close, and teacher redundancies. Moreover, the areas of population decline are frequently in the inner cities where there is also social and economic decline. Thus, in the short term the fall in the number of births is not at all an unmixed blessing.

In considering the financing problems of primary education, therefore, the changed economic and demographic situation of the late seventies and early eighties compared with the previous decade or two must constantly be borne in mind. In the earlier period the choice might be thought of largely as between different rates of expansion, the maintenance of teacher numbers within a school being the limit case. In the present and for the foreseeable future the maintenance of teacher numbers within an l.e.a. will typically be an upper limit, and for most l.e.a.s the choice for the primary sector will be between different rates of contraction. Whereas in most schools the head's problem would be to get the additional staff allowed, from now on large numbers of schools will be experiencing staff reductions, either by non-replacement of voluntary leavers, or of actual redundancies[29].

THE SECRETARY OF STATE

How does the Secretary of State influence primary school education? We have referred already to the great debate which is taking place following the Prime Minister's Ruskin speech. Central to that is the future role of the Secretary of State. According to the 1944 Act, his job is "to promote the education of the people of England and Wales and the progressive development of institutions devoted to that purpose and to secure the effective execution by the local educational authorities under his control and direction of the national policy for providing a varied and comprehensive educational service in every area..."[30]. Practice is extremely complex and it is impossible to say whether it actually corresponds to what the framers of the act had in mind thirty years ago. Firstly, as we have already remarked, the Secretary of State controls school building through the exercise of loan sanctions. Only such expenditure as he is willing to permit can proceed. This is, of course, a one way control in that it is only effective if local authorities wish to build more than he will allow. He cannot make them spend more than they wish, and, although this limitation on his effectiveness might have been regarded as academic, experience in the last couple of years in nursery school building show it to be not entirely trivial. A number of authorities were given permission to build for nursery places, and,

29. Because of public expenditure constraints 1976 was the first year of significant teacher unemployment after a generation of full or overfull employment. The British economy itself is experiencing more and more prolonged unemployment since the thirties. Within that teachers were bound to bear some of the brunt, which they have, but to a lesser extent than almost any other group of working people.

30. Education Act, 1944, Section 1. Today England and Wales are ministerially separate, but the Secretary for Wales usually acts in concert with the Secretary of State for Education and Science in England. If and when *devolution* takes place, educational differences between England and Wales may be accentuated.

although they had demanded this most vociferously only a year or so earlier, in the event declined to spend the money. (It should be added that loan sanction is not a control mechanism restricted to school building, but applies right across local authority capital expenditure.)

Secondly, he has powers with respect to the qualifications of teachers, and to the number of teachers being trained at colleges of education. By being able to influence the national flow of new teachers (and to some extent the local flow given the preference of teachers to work near where they were trained), he can set overall limits to the staffing standards of primary schools, and affect the age composition of the teaching force in those schools. Thirdly, he has a major part to play in determining teacher remuneration. He has direct representation on the Management Panels of the Burnham Committees which set teachers' salaries. In this connection it is worth noting that there is no difference between primary and secondary schools in England and Wales in the salary scales applied to teachers; and since 1961 women have received equal pay to men[31].

Fourthly, he is obliged to inspect schools. Her Majesty's Inspectorate dates back to the early 19th century, and remains an independent and influential body at the D.E.S. The original task of the inspectorate was to monitor the system; from that has evolved a second task of helping to improve its workings. Thus, they provide a regular flow of information to the Secretary of State, and are also significant in determining what happens in the schools themselves. At the very least, as a result of this process, government ministers will know a great deal about trends in education and will be able to add their weight to legitimise some, and may hold back others simply by neglecting them. Certainly many of the developments of primary education can hardly be said to have been initiated by ministers, but their support has been valuable in advancing some new objectives.

It may be added that Her Majesty's Inspectorate's activities are not to be seen wholly (or even chiefly) in their work for the Secretary of State. In discovering and evaluating what happens in schools they make their findings known to local officials and teachers. Apart from being in regular touch with such people they provide and participate in courses for them, are involved in conferences, and publish a great deal of useful material.

Specially relevant to the present essay is the large-scale survey of primary schools which the inspectorate began in the school year 1975-76, and which it is believed will be published in the school year 1977-78. It is understood that a part of the survey will be an attempt to estimate quantitatively educational attainment.

To revert to the Secretary of State, he may issue Regulations, Circulars and Administrative Memoranda. The first of these are statutory instruments and have the force of law. They include, for example, the number of hours or days that a school must be open to meet the requirement of the provision of full time education. Circulars contain statements and explanations of central governmental policy. Typically, the school building programme or policy on comprehensive education have been set out in different ways by means of circulars. Administrative memoranda contain detailed advice and guidance especially about important minor problems that are likely to confront L.e.a.s. As an example, arrangements for pooling expenditure of different local authorities or in-service training for teachers may be set out in an administrative memorandum.

Finally, the Rate Support Grant which is the basis of local finance, and, therefore, of local educational finance is very much influenced by the Secretary of State[32].

31. A detailed account of the principles and practice of teacher remuneration is to be found in *Report of the Committee of Inquiry into the Pay of Non-University Teachers*. Chairman Lord Houghton of Sowerby, Cmnd. 5848, 1974.

32. We deal with these issues in more detail in the next section.

Although formal responsibility for local government finance rests with the Secretary of State for the Environment (and equally public expenditure is very much the concern of the Chancellor of the Exchequer and the Chief Secretary to the Treasury), he always acts in concert with the Education Secretary, who is a member of, or represented on, all relevant committees. In particular, because of recent economic difficulties, ministers now meet regularly with representatives of local government to discuss and monitor their problems, and on such occasions the Secretary of State is present and has a significant role to play.

Nonetheless, having said all that, the schools themselves remain chiefly a matter for the local authorities, whose powers belong to them as of right and are not simply delegated by the Secretary of State. This means that, despite providing more than half of the cost of local expenditure in general and educational expenditure, in particular, the central government cannot see to it that the money is spent precisely in one way rather than another. The point holds *a fortiori* for expenditure on (say) primary schools within the total education budget. The Secretary of State may wish to encourage a higher standard of provision for 5-11 year olds, and even make the money available, but an individual local authority in a given year may still choose to place more emphasis on secondary schooling.

It will be useful at this stage to mention the Assessment of Performance Unit which was set up in August, 1974. This small, but potentially important body has a consultative committee comprising representatives of a variety of educational interests, and itself consists of a small group within the D.E.S. headed by an inspector and with access to reesarch funds.

Its terms of reference and tasks are worth quoting in full:

"To promote the development of methods of assessing and monitoring the achievement of children at school, and to seek to identify the evidence of under-achievement...

1. "To identify and appraise existing instruments and methods of assessment which may be relevant for these purposes.
2. To sponsor the creation of new instruments and techniques for assessment, having due regard to statistical and sampling methods.
3. To promote the conduct of assessments in cooperation with local education authorities and teachers.
4. To identify significant differences of achievement related to the circumstances in which children learn, including the incidence of underachievement, and to make the findings available to those concerned with resource allocation within the Department, local education authorities and schools."

It is understood that the unit is currently concentrating on the first of these tasks, and it will obviously be some time before it will be able to make its influence felt.

What is interesting about it is what may be called its academic nature. It is concerned with finding things out, and developing methods. Nonetheless, it is located within the government machine. Two questions then follow: Is all its work to be published? and, As its work proceeds will it not give rise to demands for action?

To take an obvious example, suppose the 'incidence of underachievement' is located in specific school areas. Will this information then be made available to everyone, or to only a few selected individuals or bodies, or to merely the Secretary of State and his advisers? In any case what is the point of discovering anything wrong if nothing is to be done about it? It cannot be assumed that diagnosis is the same as cure. Will not the Secretary of State be under pressure to remedy the illness, so to speak, by the introduction of methods to raise achievement at the lowest levels? Moreover, if the relevant information is first made available to the Secretary of State by a unit nominally under his control within the D.E.S., will not he be the one from whom direct action (rather than exhortation) is expected?

For the moment these questions are unanswered and may remain so. But the introduction of a unit of this kind, especially given the present climate of opinion in England and Wales, may not merely increase the influence of the Secretary of State, but also his power.

Turning back to the circumstance of the past decade or so, Mr. Crosland, a former Secretary of State for Education and Science, has said of his influence on the internal arrangements and curriculum of the school, "(It) is the indirect one that is exercised through H.M.I.s, through D.E.S. participation in the Schools Council and through government-sponsored research projects like the one on comprehensive education. The nearer one comes to the professional content of education, the more indirect the Minister's influence is. And I'm sure this is right[33]".

On the other hand, another education minister has since pointed out, "... in the school sector... the influence of central government on the curriculum is greater than is commonly acknowledged". He cites an example, the expenditure cuts at the end of 1973. "There should be no reduction in teaching staff or in expenditure on books, but 10 per cent must come off the total of planned expenditure on procurement for education[34]." No one would doubt that this will influence what is taught or how it is taught. But, what is not apparent is how many local authorities took any notice of what the central government said. Indeed, there is evidence that some did not make the cuts at all.

In setting out the Secretary of State's position, no reference has been made to his ability to affect education as such directly. He does not control the curriculum, or teaching methods, and up to now he is unable to lay down academic standards that have to be achieved[35]. In areas where selection still remains for secondary education, he cannot lay down the methods used (although he can judge on occasion that certain methods are unreasonable). When selection was more prevalent, he could not ensure that the same criteria were applied by all l.e.a.s, or equally for boys as for girls. Thus, entry standards for grammar schools varied widely across the country.

This lack of power over what happens in the classroom applies overwhelmingly to the primary school. Consider the case of the William Tyndale school in London, a school in which it appears standards had declined drastically and education of an appropriate kind for most children was not being provided. According to a special report recently published[36], central government ministers had virtually no power, or even influence on what happened in that case, and would have no power in any other should a similar disaster occur. They do not lay down basic standards of numeracy and literacy which primary schools should meet or at least aim at, and any suggestion that the law should be changed to enable him to do so would be regarded as extremely controversial. To quote another pertinent example on primary school curriculum objectives, central government does not have the power to ensure that all primary schools acquaint their pupils with a foreign language. The result is that the

33. A Crosland in M. Kogan, *The Politics of Education*, 1971, p. 172.

34. G. Fowler, *Decision Making in British Education Systems*. Open University, 1974.

35. A characteristic of recent educational controversy is the extent to which it has taken place without an appropriate factual foundation. It is difficult to speak with confidence on standards, a situation which it is hoped the Assessment of Performance Unit and the surveys by the Inspectorate (already referred to) will change.

Examination results and the acquisition of paper qualifications suggest that standards are rising. The Bullock Committee enquiry into literacy, "A Language for Life", did not find evidence of falling standards. Nonetheless, there is evidence of widespread public disquiet about academic standards. Some of this is, no doubt, based on ignorance and misunderstanding, and some is put forward with malicious intent. But there is also at least casual evidence of educational failure in too many areas to be ignored. One possible explanation that requires further investigation is that average performance has improved, but that the variance has also increased. In particular, while the best achievements far exceed those of the previous generation, the worst may be worse still.

36. Robin Auld, Q.C. Report on William Tyndale School, Islington, July 16th, 1976.

secondary curriculum cannot be based on the assumption that all entrants or the normal entrants will have had such experience.

To summarise, it appears that the Secretary of State lacks power to control directly the detailed nature of education, and what powers he does have are broad brush, and in technical terms rather slack. There is, anyway, considerable disagreement concerning how powerful he is, and it could even be that his strength is subjective, depending on his own perception of his position. An earlier Secretary of State has said, "... there is in no sense a single organisation with a managerial chain of command. On the other hand, I was very struck by how much influence, control, power, or whatever the right word is, the Department has. There are all the constraints that I mentioned earlier, yet despite them a Minister can have a huge influence on the system[37]". Be that as it may, a more recent Secretary of State has gone on record as saying he has powers to do virtually nothing apart from removing air raid shelters from schools where they were left after the war[38].

37. A. Crosland in Kogan, *op. cit.*, p. 169.
38. F. Mulley, quoted in the *Times Educational Supplement*, 1976.

Chapter IV

THE RATE SUPPORT GRANT[39]

Local authority current expenditure in 1975 was £13 039 m. Of this £2 195 m. was debt interest. Of the remainder £5 404 m. or 49.8 per cent went on education. On the capital side, local authority gross domestic fixed capital formation was £3 671 m., of which £524 m. or 14.3 per cent was on education.

CENTRAL GOVERNMENT FINANCE OF LOCAL EXPENDITURE

Central government finance of local expenditure is largely done through the rate support grant. Local income via the rates is too small and insufficiently buoyant to meet all the expenditure that local authorities must meet, and there has been no agreement either to reduce drastically the range of services provided locally or to expand the revenue raising powers of local government. The most recent committee of enquiry chaired by Mr. Layfield while exploring all the issues made no significant progress in dealing with the problems, but did set them out in as stark a form as possible. The inability to find solutions suggests that the present system will continue for some time yet.

The purpose of the rate support grant is firstly to supplement the insufficient resources of local authorities as a whole. Secondly, it takes into account the specific needs of individual authorities, for example, the relative number of children of school age in its total population. Thirdly, it reflects the relative income or taxable capacity of individual authorities. The second and third criteria are meant to lead to a shift of resources in the direction of poor authorities and those with the greatest burdens to carry. (In fact, commentators are not agreed that the rate support grant does this at all satisfactorily, or is sufficiently sensitive to local differences.)

The rate support grant is not imposed by central government on local government. It is essentially a matter of negotiation between the Department of the Environment and representatives of the local authorities, but the Department of Education and Science is also a participant on the government side. To quote the recent report of the committee of enquiry into local finance chaired by Mr. Layfield, "A general aim in the distribution of grants is to enable authorities to levy similar rates of local tax for the provision of similar overall levels of local services[40]". The grant itself is made up of three parts, termed the domestic, resources, and needs elements. This is set out in Table 10.

39. For a detailed account of this subject see *The Layfield Report*, C.12 and Annex 27.
40. *ibid*.

Table 10
(Rate Support Grant at 1976/77 Prices. £m. at Nov. 75 prices.)

	England and Wales	Scotland	Great Britain
Needs	3 565	624	4 189
Resources	1 716	156	1 872
Domestic	640	43	683

The domestic element which is essentially a cost offset which brings household more into line with industrial rate payers is a technical matter not germane to the present discussion.

The purpose of the resources element is to subsidise poor authorities. The rates which are a form of property tax are based on the concept of the rateable value of an individual property, or for our purposes of the whole local authority. The rates, as a tax, are then expressed as so many pence in the pound. A rate of 60 p. in the pound would mean an annual charge of 60 per cent on the rateable value of the property.

Local authorities differ by size and by wealth. To calculate the resources element attention is focused on wealth *per captia*. We start from the rateable value of the whole of England and Wales per head of population. One per cent of this is the yield of a 1 p. rate per capita and multiplied by the population of a given local authority, and is termed the "standard product of a penny rate". Local authorities whose actual product is below the standard product are then subsidised by the government to bring them up to the national average (before the subsidy). Note that this policy is asymmetric. The government does not tax richer authorities to bring them down to the average. There are 26 above average authorities mostly in the London area.

The needs element arises from the recognition of the different demands that local authorities have to meet, notably in our case of variations in their primary school populations. Among the variables actually taken into account are; total population, number of children under 15, number of children under five, number of people over 65, population density, roads, rate of decline of population, and whether or not the authority concerned is wholly or partly within a metropolitan district. In addition, considerable weight is given to so-called "education units".

Of these variables a weight of more than 50 per cent is given to population, and a weight of nearly 40 per cent to the education units. Thus, although not trivial, the weights given to the remaining variables are pretty small. (The weights themselves are arrived at in part at least by a rather complicated statistical analysis.)

The education units are particularly interesting. A primary school pupil is given a weighting of one unit. Other pupils are then weighted according to their supposed relative importance; so that a secondary school pupil of compulsory school age is weighted a little below two units, and one of 16 years or over, together with a further education student, is weighted nearly three units. Awards to students and school meals are also weighted. Given the weights and the numbers of pupils, students, etc., the total education units of an authority can be estimated, as can the total per 1 000 population. The extent to which this figure exceeds a given number then provides the basis according to which the education part of the needs element is calculated. It is multiplied by a given number of pence per person in the local authority to determine a total money sum to be paid.

Now, the effect of the needs element is to give large grants to those local authorities which contain a lot of people in general and many school children in particular. But, of course, these are also the authorities which have the biggest burdens placed on them. It follows that the needs element is only redistributive if it gives a greater weight to these "needs" than their actual, normal cost. Some commentators argue

that this is not the case. They also point out that the formula is biased in favour of the proportion of old people in the population and against the proportion of young. The reason is that it tends to work in terms of differences in spending per capita (i.e. adults and children) rather than spending per adult. It is also argued that the formula does not take sufficient account of urban problems, but it must be pointed out that other central government subsidies exist for this purpose as well. To quote the Layfield committee again, "(The needs element) is distributed according to a formula based on an analysis of the relationship between local expenditures and indicators of expenditure needs which appear best to explain the variation in expenditure per head between authorities. The process is not a purely statistical exercise, however. The design of the formula involves a great deal of judgement about the significance and implications of the analysis, and about the results which particular formulations achieve[41]."

The rate support grant as we have described it is simply a formula for allocating a given sum of money between local authorities. Every year this total sum itself is negotiated between central and local government, the purpose being not simply (or mainly) the redistributive one, but rather the control of local expenditure within the context of overall public expenditure control and the maintenance of the stability of the economy. Usually a compromise is reached between a high estimate put forward by the representatives of the local authorities (based on the previous year's outturn, existing commitments and desirable new developments) and a lower estimate put forward by ministers based on broader national considerations. Once the total sum of what is called "relevant expenditure" is agreed, the share of that (nowadays well over 10 per cent) to be met by the rate support grant is negotiated, and that is then divided up in the way described.

The consequence of a lower rate support grant will be partly a reduction in local authority expenditure and partly an increase in the rates levied. It is for this reason that the rate support grant is not a perfect instrument for controlling expenditure. *A fortiori* it is an imperfect instrument for controlling expenditure on education.

Until this year the grant was then supplemented during the course of the year to allow for unanticipated rises in prices and wages. In other words, it was fixed more or less in real terms. This year, however, the government has endeavoured to control it more strictly in three ways. One is by trying to introduce a degree of restraint by imposing cash limits on expenditure, and implying that inflation will not be automatically, fully supplemented. Secondly, there has been a tendency in recent years for expenditure anyway to exceed what was planned. The government is now saying that if that happens this year it will simply mean reductions in next year's negotiated figure. Thirdly, there is some concern that local authority employment has increased too rapidly, and, therefore, attempts are being made to restrain the recruitment of additional manpower.

From the point of view of education in general, the crucial point about local authority finance, and especially the rate support grant, is that it is general and not specific. The implied sum for education is not based directly on the actual expenditure of the authority for educational purposes, and does not have to be used for those purposes. An authority retains considerable discretion as to how it uses its income, and, of course, since it can vary its rates within reason can also vary its income. Thus, it is by no means the case that expenditure per pupil is constant for all authorities, as we have shown[42].

41. *ibid.* Annex 28.

42. An example of the sort of problem that emerges concerns the employment of teachers. The central government may calculate that given the way the rate support grant is determined in a particular year so many teachers should be employed. The actual number employed may differ from this for at least two reasons; the government gets its sums wrong or the local education authorities spend the money differently.

This conclusion applies just as strongly within education. Although the relative weights given to primary and secondary education in the calculation of the education units was (say) one to two, this does not mean that actual expenditure *per capita* is or has to be one to two. Local authorities have used their discretionary powers to concentrate on one sector or the other. Thus, it is not always the case that an authority which is generous to one sector is equally generous to another. Indeed, if differences in wealth are allowed for, there is evidence of a definite trade off in some cases between primary and secondary schooling.

THE LAYFIELD ENQUIRY INTO LOCAL FINANCE

We have referred to the Layfield enquiry. In fact, their report is fundamental to the present discussion both because it is concerned generally with the division of responsibility between central and local government, and also because it paid explicit attention to education.

They themselves saw the issue as one of whether public services should be subject to much more central control or much more local control. They felt that there were two sensible solutions to existing problems, at either pole of the control spectrum, so to speak. A minority report took rather a different view and argued that the existing structure could be reformed by identifying in each case the national interest in local services. The majority felt this to be an impossible task, even in principle, certainly in practice. Indeed, they even felt that it would be out of the question for the central government to lay down explicit minimum standards of service in all or most cases.

In one way this is a curious conclusion for them to have come to, for it leaves unanswered the question, How are we managing at the moment? The *rationale* of the existing structure is that the government can identify certain national interests in primary education. It does take a view on the school starting age, and on the age of transfer to secondary education. Teachers' salaries are fixed nationally and the government is a party to the negotiations. It would be rather cynical to say that its interest is restricted to the total bill, and no attention is given to the effect of salary structure on the stability of the teaching force, the sorts of people who become teachers, and the consequences for education as such[43]. Moreover, we have already cited examples of central government impact on local education (albeit chiefly at the secondary and further levels), and it is not obvious that these could not be rationalised.

The consequence of a lower rate support grant will be partly a reduction in local authority expenditure and partly an increase in the rates levied. It is for this reason that the rate support grant is not a perfect instrument for controlling expenditure. *A fortiori* it is an imperfect instrument for controlling expenditure on education.

An interesting aspect of the control problem relates to teachers' salaries. These are fixed nationally, and there is no discrimination in salary scales between men and women or between primary and secondary schools. The salaries themselves are paid by the local authorities, and the teachers are not the employees of the D.E.S. It is said that the problem of local finance would be eased if teachers' salaries were paid directly by the D.E.S. (Compare the Layfield dictum, "A financial system is not an end in itself but a means of achieving social and political purposes[44]..."). In their evidence the D.E.S. said that, if they became responsible for the payment of teachers' salaries, it would inevitably follow that they would take direct control of teachers' numbers, grades, conditions of service even down to the level of individual schools.

43. It has been made absolutely clear that that is not at all the view of the present Secretary of State.
44. Layfield, C. 13.

It is not obvious why such an extreme set of consequences would follow, but no doubt some enlargement of central power would occur. What is interesting is that the possibility that this central power might then be used for desirable ends was not explored.

In this connection not only Layfield but other commentators find themselves in contradiction. Sometimes they argue that the case for a decentralised system (such as we have in the U.K.) is that it is innovatory and leads to diversification. On other occasions the point is made that uniform standards are reached in most parts of the country and minimum standards in nearly all. Layfield supported the innovatory role of l.e.a.s, as does the D.E.S. But the following opinion was also expressed, "Education, which accounts for about half of all local government rate fund expenditure, is an example of a service which many people regard as being provided to a uniform standard throughout the country. It is difficult even here to find elements which are not open to local variation in interpretation of the statutory requirements... the broad uniformity in standards of education that exists throughout the country appears to be due at least as much to pressures by parents, professional influence and, in adult education, direct demand, as to statutory requirements and departmental inspection[45]".

Since no one doubts that there are some unsatisfactory schools in the country, the problem is then left as to whether they are simply part of a useful diversity, and, if not, what is to be done about them? In the next section our discussion of educational priority areas shows they are not easily dealt with, and it is not even apparent that any means exist for the D.E.S. to be certain that finance can be used to provide the extra resources they need. Certainly, we must always bear in mind that they have virtually no direct powers to spend money in the schools, any finance they get having to be channelled through the local education authorities.

45. Layfield, C. 15.

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Chapter V

EDUCATION PRIORITY[46]

We have emphasised that central government financing of local current expenditure is largely in a general or bloc form and is not geared specifically to education, let alone to primary education. Capital expenditure is controlled by loan sanctions and building allocations are quite specific, but even here in recent years there have been moves towards allowing local education authorities to spend a given capital sum as they will. It is anyway the case that school building projects are put up to central government by l.e.a.s, and are not imposed upon them by civil servants at the D.E.S.

THE PLOWDEN COMMITTEE

There has, however, been one development in recent years which is instructive both because of its intentions, and the way they were or were not carried out. The Plowden Committee was most exercised by the problems for the school created by deficiencies in the home and in the neighbourhood in which the child lives. It felt that it was possible to define in theory and isolate in practice particular deprived areas, and it argued that there should be positive discrimination in the allocation of resources to schools in those areas. The purpose would be partly to offset the ill effects of the environment and home background on education. The hypothesis here would be that poor educational performance is attributable to these external factors and may be offset by educational means. In part this would imply more intensive efforts, i.e. additional resources. Although the committee recognised that resources for education were scarce, it was also aware that no time is right for asking for extra money. It therefore went to some trouble to estimate the costs of its proposals, recommended that they be met, and at least by implications suggested that, whatever the size of the education budget, more should be devoted to what it called "educational priority areas[47]". (It is worth noting that deprivation was defined in this geographical form. Others have argued that the definition should have been formalised in terms of children, classes, or whole schools. In fact, a careful reading of the report shows that frequently it is schools that they have in mind.)

46. A definitive account of this topic is to be found in *Educational Priority*, vols 1-4, H.M.S.O. 1972-1975.

47. Plowden, C. 5. It is worth noting that Plowden advocated discrimination *in favour of* deprived areas and discrimination *within* deprived areas. *Ibid.*, p. 57.

The Plowden Committee stated that schools in E.P.A.s should be given priority in the following dimensions:

i) New building programmes;
ii) Books and equipment;
iii) Reduction of maximum class sizes to 30;
iv) Employment of teachers' aides;
v) Payment of a special allowance to teachers;
vi) Provision of nursery places.

To quote them, "The justification is that the homes and neighbourhoods from which many of their children come provide little support and stimulus for learning. The school must supply a compensating environment. The attempts so far made within the educational system to do this have not been sufficiently generous or sustained, because the handicaps imposed by the environment have not been explicitly and sufficiently allowed. They should be[48]".

Broadly speaking, the report was well received, especially that part devoted to E.P.A.s, but the government did not commit itself to action. Teachers welcomed some or all aspects of positive discrimination, and the largest union, the N.U.T., were strongly in favour of policy towards E.P.A.s. Representatives of the local authorities were more cautious, and the Association of Education Committees, in particular, express strong doubts. Eventually the government acted in the following way:

i) Part of the existing school building programme would go to schools in deprived areas. (At this point specific E.P.A.s had not been designated.) This happened in several years in the second half of the 1960s. The Secretary of State at the time of the Plowden Report has said, "... I made a rather anodyne speech in the House of Commons welcoming the report when it came out... I intended to make a major statement on the report as a whole in the autumn of 1967. But one major thing we had already done, and that was to get the principle of educational priority areas accepted and to get an extra £16 m. for them. It was almost the last thing I did in Education and one of the things that gave me most satisfaction[49]".
ii) An extra allocation of school building funds was found for priority areas. Local education authorities were invited to submit projects to be financed by these funds since they were regarded as the best judges of their own needs.
iii) No special funds were initially found for nursery classes in the way recommended.
iv) Teachers in schools of exceptional difficulty were given an extra allowance, which was raised in later years. These schools were approximately the same as those receiving capital assistance.
v) Towards the end of the 1960s the government introduced what was called an Urban Programme, covering housing, health and welfare as well as education. Local authorities were invited to submit schemes for approval to deal with their most pressing problems and were compensated retrospectively. As far as education was concerned, apart from nursery classes, support would be given to such things as family advice centres, language classes for immigrants, in-service training courses, teacher centres, aid to various voluntary bodies, centres for handicapped children, development of playgroups, holiday projects, etc. Much of the money was for capital projects, but some was for materials, equipment, and other consumables.

48 *ibid.*, C. 5.
49. A. Crosland in Kogan, *op. cit.*, p. 197.

In the present context what is interesting about this development was, firstly, that the central government was asked to find money for specific purposes. Although eventually it would actually be disbursed by the local education authorities, the point was to go beyond their normal operations, if for no other reason than that many of the problems had existed in schools under their aegis for many years. Secondly, this logically would lead the central government to lay down explicit criteria for determining who was to receive what sums. Thirdly, the government was in a position to act in an extremely favourable climate of opinion. It had general public support, broad based political support, and a fair degree of professional support. Although the economy at the time had its weaknesses, in retrospect the period from 1966-1971 was very much better than 1972-1976. Despite all this little was done, and what progress was made was particularly constrained by existing methods of administration, a given organisational and financial structure, and a desire, above all, not to impose too much from the centre. In considering the relationship between finance and educational objectives, the following statement by an education minister is almost definite; "It is not practicable to try and list such (E.P.A.) schools centrally. The procedure adopted has been to decide centrally the resources available and the criteria of need, and then to seek bids from local education authorities and to select from among them those schools where the needs are judged to be most urgent[50]".

More generally, the D.E.S. was not keen to advise or encourage local education authorities to discriminate in favour of schools of special difficulty, but left it to them to decide for themselves. This was true of almost all the Plowden recommendations, although the Secretary of State did aver, "The concept of E.P.A.s is one of the most imaginative proposals of the Plowden Report[51]".

The conclusion one is bound to come to as a result of this example is that in Britain the system as it works at present does not make for a strong connection between finance and objectives if by that is meant one by which the central government can determine what happens at the periphery. Where funds are made available, even if a general purpose is being aimed, in large part the detailed allocation will be decided locally. And the specific purposes reached will not always correspond to the original broad objectives. Thus, while lack of funds may inhibit development, their provision does not necessarily encourage it.

ALTERNATIVE APPROACHES

It may be asked whether an alternative approach is possible. There are at least two lines of development worth examining. One is to replace local initiative by central initiative, and the other is to replace general financing by specific financing.

The first of these would seriously weaken local authorities. In some cases the result would be to replace the local authority by an agency of the central government for at least some of its functions. The justification for this would have to be outright failure by a local authority to do its job properly. Obviously, such a state of affairs could exist theoretically, and does no doubt exist somewhere in practice. The problem of educational priority would have arisen from a variety of adverse social and economic forces working in a particular area. Far from being solved by the local politicians and officials, it is instead exacerbated by their incompetence. These people would be unable to diagnose the problem or to devise and implement remedial measures. Thus, to give them more money either of a general or specific kind would not be of much help.

50. *Op. cit.*
51. A. Crosland in Kogan, *op. cit.*

Even if the central government were willing to grasp the nettle and take over in a particular area, there is the added complication that many of the issues that arise under the general heading of education priority areas are not unique to those areas. Within local education authorities that are "normal" or "above average", there may be single schools which are unsuccessful because of the social and economic difficulties confronting them. Within schools of all kinds there will be pupils from homes subject to all kinds of deprivation. Local policy failure may then turn out to be rather widespread implying a much wider involvement for the central government, or an arbitrary, almost illogical restraint on the activities of the Secretary of State.

On specific financing, while it may be justified as an incentive to do what the Secretary of State wants, it can do no better than the intrinsic qualities of the local authority allow. Furthermore, it would surely require a more active and detailed monitoring procedure than currently exists. There is a tendency on the part of all governments to provide money for certain purposes, and then sit back and assume that the desired ends, having been paid for are met. If that is to be avoided, much more precise information on local affairs would have to be fed back to the centre. The result would tend to be an increasing involvement in decision making, and, perhaps, eventually a takeover. It would require unusual self-restraint on the part of the central government to avoid the process - subsidy, monitoring, central control.

The history of the educational priority areas illustrates the dilemma in which central government finds itself. A problem is recognised and a solution is put forward. The implementation of the solution is exceedingly imperfect within existing governmental institutions, but an effective implementation may require a total transformation or replacement of those institutions. To avoid that the problem is allowed to remain, or even intensify. Eventually it has to be faced again.

Chapter VI

OBJECTIVES OF PRIMARY EDUCATION

Any analysis of the objectives of primary education must start with the report of the Plowden Committee of 1965. Equally, it must end for the moment with the report on William Tyndale school of 1976. In this decade it is not too much to say that general thinking on primary education in Britain has become completely transformed from one of considerable optimism to one of a fair degree of pessimism.

THE PLOWDEN REPORT (1965)

The Plowden Committee did not, as part of an explicit statement of its philosophy or as part of its long list of recommendations, set out a list of aims. Nonetheless, the following propositions may be inferred from its report:

i) Primary education should prepare children for the society in which ultimately they will live;
ii) The primary school is "a community in which children learn to live first and foremost as children and not as future adults";
iii) The school "must transmit values and attitudes";
iv) The school must help the child in his own development;
v) Insofar as education is to do with the transmission or acquisition of knowledge, this is not to be seen in terms of individual subjects, but rather as a relatively undifferentiated curriculum.

Having mentioned this, there are two additional points to be made. Firstly, it is extremely difficult in the report to distinguish ends from means. Secondly, the report itself expresses considerable doubt about the value of stating any ends at all. "General statements of aims tend to be little more than expressions of benevolent aspiration which may provide a rough guide to the general climate of a school, but which may have a rather tenuous relationship to the educational practices that actually go on there[52]." As a factual proposition there may be much to be said in favour of this, but the problem remains of how choices are to be made or subsequently evaluated without more specific and empirically testable formulations of objectives. This is specially the case in connection with the evaluation of teaching methods. Ultimately some thought must be given to what these achieve since it is difficult to believe in all circumstances that so-called progressivism can be regarded as good in itself. To take an obvious example, the report in accord with a great deal of thinking of considerable respectability and antiquity emphasises learning by discovery. But presumably this is because (or at least partly because) of what discovery methods lead to.

52. Plowden, *op. cit.*, C. 15.

Now, there is a well-known difficulty here, for an emphasis on critical ability, tolerance, breadth of understanding is difficult to assess in terms of crude achievements. Nonetheless, there must be some commitment to testing whether even these "means-ends" have been achieved if they are to be taken seriously.

It might be inferred, for example, that such a commitment is meaningless unless it is assumed that the critic has a basic capacity for criticism. Thus, it could be argued (and would be by the present writer) that the Plowden Report took it for granted that the primary school would continue to aim at achieving a basic numeracy and literacy for all its pupils. An ability to read, write, argue effectively and logically, and use quantitative material is a bare minimum requirement for valid criticism. The speed at which the pupil acquires these skills may depend on him, and may not matter a great deal so long as the process is over and done with by the age of eleven. But, if this is so, it cannot be denied both that many teachers disagree, and the achievement of some primary schools for some pupils have been less than that. Also, to quote the material in the Auld Report (on William Tyndale school) it is not obvious what is then offered the child instead[53]. In this respect an important distinction may be made between content and standards. Both surely come under the general connotation of objectives, but they are not the same thing at all. Thus, to make a simple point on control, it may well be right that the curriculum in terms of content (and range) may be a matter for the teachers in association with the pupils, but the standard achieved may be a matter for external concern, possibly by governors, the l.e.a., or others. Presumably, the riposte to this might be that, while the distinction may logically be a valid one, it is irrelevant in practice where concern with standards may lead to interference with curriculum content.

Two quotations representing opposing points of view may be cited here. One is from a former conservative junior minister. "I do not propose to enter the argument as to whether standards are rising or falling; I will simply settle for the point that they are not high enough, and I do not believe that this is to be explained solely in terms of lack of resources and social factors. We are an unnecessarily under-educated country[54]." The second is by some critics more to the left. "A major part of the variation in the attainment of children in schools can be explained by variations in the amount of resources devoted to them[55]." Curiously, despite their differences, neither authors are more explicit on objectives as such, and they would not necessarily differ on the care that must be taken in avoiding excessive involvement (or perhaps any involvement) of the Secretary of State in the curriculum. Nonetheless, they feel confident enough to pronounce on a fundamental aspect of the relationship between ends and means in education. In essence the first view is that existing resources are being misused, the second that the real problem lies in lack of resources. It is not too much to say that such a polarity of view is typical of educational debate in Britain today, and it is not one that is likely to be resolved by empirical research in the near future.

One educational objective which is particularly relevant to the primary school, and which has been the subject of much discussion in the past couple of years is the attainment of a basic standard of literacy. As we have noted above, a committee of enquiry was set up in 1972 under Sir Alan Bullock. Its report, A Language for Life, was published in 1975. One of its conclusions was that nationally literacy standards had not fallen (although it was possible that they had fallen in urban areas and risen elsewhere); but it could not be shown, despite the increase in expenditure per pupil, that standards had risen. The effect of the report was to reinforce the views of all concerned, from the Secretary of State downwards, that much greater

53. R. Auld, *op. cit.*
54. T. Raison, *The Act and the Partnership. An Essay on Educational Administration in England.* Centre for Studies in Social Policy, 1976.
55. D. Rubinstein and C. Stoneman, *Education for Democracy*, 1970.

attention must be paid to the understanding and effective use of language. For example, "There should be positive stages to develop the language ability of children in the pre-school and nursery and infant years... Every school should devise a systematic policy for the development of reading competence in pupils of all ages and ability levels... Every school should have an organised policy for language across the curriculum... Standards of reading and writing need to be raised to fulfil the increasingly exacting demands made upon them by modern society[56]". But, to quote the Secretary of State himself, "Many recommendations are addressed to schools and teachers and call for a change of approach and redirection of effort rather than additional resources... recommendations with financial implications must be subject to current constraints; for the time being action on those which would involve additional resources must be postponed[57]".

THE RELATIONSHIP OF FINANCE TO PRIMARY SCHOOL OBJECTIVES

All this is most instructive for the analysis of the problem of the relationship of finance to primary school objectives. In the first place it assumes that, within a system as decentralised as the U.K.'s, redirection of resources is possible (within a situation of extreme financial stringency). It makes this assumption without offering an explanation of how the resources came to be used differently (and, therefore, in a less satisfactory way) initially. Secondly, it recognises that some new policies depend on extra resources, but again says nothing about how their general availability might lead to their being used for this purpose. Of course, this is not to criticise the report as such which must, in order to proceed at all, take it for granted that an appropriate mechanism exists, but it does make clear how easy it is to infer a relationship between ends and means which may not exist at all.

An important example is provided by a reference to the significance of class size. It is well known both from national studies and from international comparisons that it has not yet been possible to discover a simple connection between class size and reading attainment. It is, perhaps, less well known that every such study is so deficient statistically that it is almost impossible for such a relationship to emerge using conventional measures. (To the cynical all that such studies show is the constancy of statistical ignorance of educational researchers in many different countries.) Bullock takes the presumably correct view that the lack of correlation is puzzling and makes no sense. They say, "... it seems to us a matter of common sense that a teacher with a large number of children in his or her daily charge will find the situation more difficult to organise effectively than if the number were smaller[58]". One may agree with them, and also with their suggestion that more resources and more teachers should be used not so much to lower the size of the typical class, but to have very small teaching groups where these are needed. What they do not tell us is why one should expect that the extra provision will be used in this way, or what might be done to see that it is[59].

56. *A Language for Life*, C. 26, *passim*.
57. R. Prentice, *Preface to a Language for Life*.
58. *Op. cit.*, C. 13, p. 207.
59. It is worth recalling the point made above that, following the publication of the Bullock Report, no extra resources were made available to implement its recommendations. An example concerns the national centre for language in education which the Committee were keen to see set up. This proposal has simply faded away because no money is available to support it, and none is likely to be forthcoming in the foreseeable future.

The position is more paradoxical still, for if the budget is fixed, what Bullock implies is the need for a drastic reconsideration of the way it is being used. Even this, however, is happening extraordinarily slowly, if at all. A modicum of encouragement from the centre may have had a little impact, but for the most part talk has been offered as a substitute for action, again chiefly for institutional reasons.

Concerning objectives and methods, more generally, it is widely believed that these too have changed significantly over the period. It must be said, however, that there is difficulty in finding hard evidence to support such a view (which, of course, is not the same as saying that it can be refuted). What can be said is that traditionally primary schools in England and Wales have been ambitious in the degree of basic attainment in literacy and numeracy that they believe they can achieve. It is also true that many teachers have stressed the importance of stimulating the child's imagination, of encouraging independent activity, and of not stifling broader developments of its personality. A report on the primary school many years ago stated, "The curriculum is to be thought of in terms of activity and experience rather than of knowledge to be acquired and facts to be stored[60]". This was not a point of view invented by the Plowden Committee, or even more by some "progressives" in the 1970s. Furthermore, it is easy to document the controversy between the traditionalists and the progressives as going back a long way in time. Complaints by parents that "my child is only playing" or "I do not want my child simply to be drilled" go back to the 1920s and even earlier. (It is worth adding that the situation in Scotland has always been rather different. There they have laid even greater stress on basics and traditional methods than in England and Wales.)

What has changed in recent years has been the gradual emergence of comprehensive education and the disappearance of the eleven-plus examination. It is said by some that the removal of this constraint has enabled primary schools to change their objectives if they so desired. It has also been alleged with little or no supporting evidence that academic standards in these schools have also deteriorated as a result. Now, it should not be assumed that academic standards could never fall. It is conceivable that the pursuit of different objectives might lower the degree of attainment of some pupils either in particular areas or of particular types. Unfortunately, since a national system of monitoring does not exist, no hard and fast pronouncements can be made[61].

We are led by recent discussions to consider the usual methodological problem of distinguishing means from ends in primary education. If objectives are defined narrowly, for example, in terms of reading skills or arithmetical capacity, they might be capable of being related to resource inputs. Difficulties arise, however, with respect to non-measurable objectives, and the fact that in primary education the means themselves are the ends. If one learning process itself is regarded as more valuable than another, not because of what it achieves but because of the experience it comprises, the means clearly have become the ends. Suppose, therefore, that an inner motivated, child centred process leads to a lower reading age for the average child by the time he leaves primary school, are we to say that the productivity of the school has fallen? Should financial techniques then be employed to rectify the situation? What if the child has nonetheless enjoyed the school experience more? Suppose that, although the child reads less well at eleven, his desire to read is higher so that his capacity for secondary education has improved? Both of these are offsets which need to be taken into account when examining financial disciplines and incentives.

60. See the report of the Consultative Committee, Chairman Sir Henry Hadow, especially *The Primary School*, 1931.

61. We have referred above to the Assessment of Performance unit. A specific problem concerning its research may be mentioned here; it is that the monitoring procedure itself may influence what that is actually taught in the schools. A well-known problem in the social sciences is that what is observed may be affected by the observer and the conditions in which the observation takes place. It is hard to believe that following a major speech by the Prime Minister and the comment by the Secretary of State that a large scale consultation operation is about to be started can leave the schools as they were. The monitoring, therefore, may not tell us at all what we want to know, especially if it fails to take these interactions into account.

The problem may be analysed further by considering other putative objectives. A standard one concerns parental choice. There are many interpretations of what this means; choice of type of school, choice of school, choice of curriculum, choice of teaching method. The question is whether parental choice itself is to be regarded as the end to be served, or whether parental choice is admirable because it is the best means to other, more obviously educational objectives. Some advocates of parental choice, and of new financial means encouraging it, do so because it is said to "raise standards". Others simply assert *tout court*, "parents are the right people to have a say in the kind of education their children receive". For yet others what is desired is a right to be involved in the work of the school for the benefits that would then flow to the community.

A similar logical point may be made about what are often taken to be explicitly educational objectives. Many of these are justified not simply (or even at all) as good in themselves, but as means to other ends. The role of the school may be to provide an education to compensate for the disadvantage of the home, or to meet the needs of the labour market. Thus, while literacy and numeracy may be thought of as desirable, they must be adjusted to the precise literacy and numeracy required in the outside world.

This leads us to the conclusion that great care must be taken in interpreting surveys of educational objectives. Thus, one person may answer a questionnaire by stating that "ability to cope with society" is the chief end of education, and another may say that "literacy and numeracy" are what they are seeking to achieve. It is perfectly possible, however, that the two are entirely in agreement. The former may regard the latter's objectives as instruments; the latter may regard the former as setting out the ultimate aims to which their own aim is the means[62].

Another ends-means problem applies to such matters as participation, authority, and democracy within the school and between the school and the local officials and elected representatives. It is not clear, for example, whether the debate about staff participation in primary school decision making is about different means of reaching agreed ends, or about the determination of the ends themselves. It is similarly obscure whether the ends in question are conventional ones to do with (say) standards of reading, or techniques of teaching mathematics, or broader ones to do with the tone and atmosphere of the school. Does the head need authority to see that a well defined set of tasks are carried out, or because children should be in an institution in which such an authority can be perceived? We may return to our point that orthodox aims can never be avoided, and that equally the style and character of an institution remains significant. But it is true that the debate will continue for some time one which deserves greater consideration as a class of aims for the school.

These are not new questions, and many of them lead to problems that social scientists may find insoluble for many years yet. They do remind us, however, not to adopt too *simpliste* an approach.

Resources are provided to achieve certain educational objectives. Included among those are recognisable levels of attainment in basic skills, and it may well be that the incentives to achieve these in England and Wales have become too weak. But, equally, a system concentrating on the three Rs would not be an education system at all. The point was well made a few years ago by some researchers who themselves were using standard tests of educational attainment. "Such measures are a necessary *part* of any criterion of primary school attainment, but they are far from giving a balanced picture. No account is taken of the many other activities which go on in

62. We should hasten to add that the point being made here is not meant to be interpreted as antagonistic to the specification, monitoring and interpretation of objectives. It is simply to emphasise the pitfalls involved.

the average primary school, the work in arts and crafts, in music, in science and geography and history, and in the many other pursuits which can often not be classified under the traditional "subject" labels, but which, nevertheless, are of very great significance educationally. Our choice of criterion measures must not be taken to indicate a belief that the three Rs are all that matter, nor should the limitations of our tests be forgotten in interpreting the results of our inquiry[63]."

A final aspect of the discussion of objectives concerns the distinction between goals that are thought to be or supposed to be pursued, and goals that are actually pursued. This is not simply a matter of what has come to be called "the hidden curriculum". Also involved are much simpler matters such as whether, if funds are found for positive discrimination, they are actually used for that purpose. If, for example, a particular school is given extra resources because it is thought to be specially disadvantaged, it cannot be assumed that they will be used to help the children who need them most. It may well be that within the school other needs are regarded as more pressing, and will be met instead.

Of course, the chief education officer and his colleagues may try and monitor the schools to see that funds are used as they were intended[64]. (The point being made here, one hastens to add, is nothing to do with the corrupt misuse of money.) But local officials, despite their own undoubted authority, do not manage the schools. While some chief education officers have introduced stricter administrative structures, and have not been content to rely solely on rational persuasion and goodwill, even in these cases what they can do is limited. This is especially so if a determined head has other objectives in mind, and is supported by the teachers and school managers.

Thus, in primary schools, to revert to our earlier remarks, there are widespread misconceptions concerning new developments and new objectives. Despite the influence of the Plowden Report, many if not a majority of schools use traditional methods to pursue traditional ends, just as years ago within the prevailing orthodoxy occasionally progressive methods were used to reach progressive ends. Some schools, of course, have become extremely child centred. But the chief effect of the Plowden Report is less definite if rather widespread. Teachers were obliged to reconsider what they were doing, and even the most convinced traditionalists may have modified their practice a little. Even there, however, it is impossible to say with certainty how much would have changed even if the Plowden Committee had not been set up in the first place. One is bound to conclude, therefore, that in practice an educational system will never be perfectly responsive to financial instruments (or to other administrative devices, for that matter), and it will always be able to pursue objectives while remaining relatively impervious to financial constraints. Above all, the position in Britain is likely to retain these characteristics, no matter what financial reforms are eventually introduced.

63. *ibid.*
64. We have already made a similar point concerning the monitoring of schools by the D.E.S.

Chapter VII

FINANCE AND CONTROL

The chain of finance is from central to local government largely in a general form not specific to education[65]. The next step is the determination of educational expenditure at the local level. Within that the share devoted to primary schools is fixed, and finally the allocation to each individual school is arrived at.

CENTRAL GOVERNMENT

At the higher levels of decision making both education and finance are involved. In central government there is the Department of Education and Science and the Treasury. They agree or at least come to a compromise on a level of total education expenditure and within that a share for primary schools. Insofar as educational criteria are brought to bear on policy at this level they derive from the D.E.S. As far as can be understood, D.E.S. officials do not claim to be exercising a professional educational expertise when they participate in the central governmental decision making process, but it is impossible to believe that they do not have some educational consequences in mind.

Let us consider examples which are relevant to current problems. A sum has to be decided on for current expenditure, and another sum for capital expenditure. Obviously, these are not entirely interchangeable, but there can be no doubt that they are substitutes in two ways. Firstly, when a department is making a bid for extra resources it knows that at the margin it will be judged by the total sum it is demanding. It will feel obliged, therefore, to moderate one kind of expenditure when it is pressing another. This will be so even though resources in education, as elsewhere, are complementary as well as competitive. Schools need teachers and teachers need schools; at the same time marginal increases in one way may be able to take place only at the expense of marginal decreases in the other. Secondly, when the Treasury is pressing for cuts in expenditure, although it may have in mind a formula dividing the cuts between capital and current, in practice it has been willing to accept smaller cuts in the one if larger reductions are made in the other.

Now, the distinction between capital and current is not trivial in education. There are fundamental problems involved in choosing between a new primary school building, and allowing a number of primary schools to purchase more consumables. In addition, as we have explained at length, in the schools sector current expenditure is mostly made through the local authorities by means of the rate support grant.

65. But it should be recalled that rather over fifty percent (51.2 per cent in 1975) of local authority current expenditure on goods and services went on education.

Capital expenditure is dealt with in much more detailed and precise form via the loan sanctions needed for building projects. It follows that there is more central control on the capital side that on the current. The larger the school building programme, the larger the amount of money left over for free decisions by the D.E.S. First claim on the programme is to provide "roofs over heads" for children who might otherwise have no schools to attend at all. This is usually in expanding areas of population, such as the new towns, to which the more mobile sections of the population are shifting. The people involved are not the most deprived groups in our society. In most cases they are well above average in wealth and income and in future prospects. To find new school buildings for them is a policy of negative discrimination. On the other hand, with any extra building money, above the minimum, the D.E.S. is in a strong position to help the declining urban areas, and to discriminate positively in favour of deprived families in those areas. Thus, the size of the programme is intimately connected with the educational objectives that the central government is in a position to pursue.

A second example concerns the division of current expenditure between the part that goes on teachers and the remainder. In a period of teacher shortage, such as we experienced for many years until 1975, central control was maintained by means of the teacher quota which the D.E.S. allocated to each authority. There can be no doubt that this was a significant factor in determining the allocation of resources between authorities. Moreover, insofar as certain industrial areas felt themselves specially short of teachers and badly done by in that respect, the policy instrument existed in D.E.S. hands to change the allocation. But in the short term in the aggregate the supply of teachers was fixed, and, therefore, the precise breakdown of current expenditure did not matter. The relevant control was a physical rather than a financial one. Even in this case, however, the position differed in the medium and long term because the supply of teachers could then be influenced by the size of the higher education sector, and the salaries agreed for teachers in the Burnham Committee.

For the past two years and for several years to come there will be an excess supply of teachers. To the extent that central government expenditure planning gives priority to the employment of teachers, and to the extent that these plans can be converted into reality, there will be an effect on the schools. The government both in its Public Expenditure White Paper and in the rate support grant negotiations usually does make it clear how many teachers it expects the money will buy, so to speak[66]. Within a given sum there is always room to vary the number of books, stationery, or teachers. The alternative to any one allocation, therefore, always exists, and in not choosing it, certain education objectives must again be implied. The decision in 1975-1976, therefore, to allow some teachers to be unemployed rather than to squeeze other expenditure more must be seen partly in terms of its educational consequences and not its economic ones alone. (It ought to be added that it is almost certainly true that in this case economic criteria have been dominant. Unemployment of all kinds has been allowed to persist for the sake of anti-inflationary policy. It also happens nowadays that a decision to employ a teacher is not really one to examine in current expenditure terms alone, if at all. It is a commitment to spend money for a considerable period of time, since the teacher is virtually guaranteed a permanent post. The correct mode of analysis in is terms of a capital investment decision, therefore.)

66. Consider, for example, the White Paper published, *Public Expenditure to 1979-80*. Cmnd. 6393 in 1976. It contains the statement, "... provision has been made for staffing at the respective standards which have been achieved nationally this year, and for the phased introduction of induction training for newly trained teachers and the expansion of in-service training to be deferred until 1977-78. On this basis the expected teacher force is expected to rise to 464 000 in 1977-78 and 1978-79", p. 87.

LOCAL GOVERNMENT

Let us proceed now down to the second level, local government. Decision making here is partly similar to that at the centre in that an agreement has to be reached between the education office (and the education committee) and the finance or treasurer's office and committee. Constraints on the relevant decisions are the salaries for teachers negotiated at the Burnham Committee, and the size and allocation of the rate support grant. Nonetheless, normally there remain options with respect to the rate being fixed, the use of reserves, and the choice of expenditure between education and other activities, and within education. Quite separately, there are also choices to do with requests for loan sanctions for buildings, and for any special allocations of funds such as those to do with educational priority areas and the urban programme.

At the present time the position is rather different from normal although it may become the new normality. As we have pointed out, central government is endeavouring for the moment to control more strictly both local expenditure and employment in local government. In other words, they have not been content in 1976 for local authorities to raise the rates in order to increase expenditure. In fact, for most local authorities this has been a rather academic point, for they tend to regard the present levels of rates as excessive, especially if the political implications for the re-election of existing councillors are taken into account. There is also little likelihood that reserves will be run down because they were already depleted to danger levels last year and the year before in order to moderate the magnitude of the increases in local rates.

Local government does not regard itself as having any room for manœuvre with respect to current expenditure at the present time. The result has been a diminution of the desire of some of them to mount new capital projects. The reason is simply that a capital project in any one year has current expenditure consequences in many subsequent years. Interest rates are high and councils are not anxious to commit themselves to servicing an unduly large debt for a long period of time. Buildings require staff, maintenance, and the other items that allow their operation for educational purposes. As an example, quite unexpectedly in the past year or so, permission to build nursery places, eagerly sought after until then, was rejected by a few councils. And several more this year are not pressing for a school building programme to anything like the same degree as in the past.

All this is indicative of the persistence of the need for choice, and of the pressure placed on education in times of financial stringency. It is not surprising that, if plans, or worse still the existing level of operations, have to be cut, the local council will ask the education committee to make the largest sacrifices. This is inevitable because they are the biggest spenders. Even in areas where the political complexion of the majority group is left-wing, so that education is given the highest priority in local services, although the schools sector has been protected somewhat, it has not been possible to safeguard it one hundred per cent.

A new development illustrating the relationship between finance and education is the growth of corporate management in local government. There are obvious advantages to be obtained by the setting of explicit goals in the context of known constraints and devising some planning guidelines in order to move forward rationally. The disadvantage is that the separate spending departments may lose their clearly defined identities. Their interests may not be fully met in the aggregate. In particular, there are fears that the accountants and treasurers will gain the ascendency, and substantive interests such as education will not have their proper objectives fully appreciated[67].

67. In the last few months the Chief Education Officer of the Country of Avon has resigned precisely for these reasons.

Again, it is premature to assess the trend now. It is much more likely that education authorities who feel ill treated do so because of the general squeeze on finances. Also it is erroneous to assume that all marginal reductions in education spending are mistaken. Even the strongest supporters of education must recognise that other lines of local activity may be deserving of consideration too.

It will usually happen that the expenditure budget of the education committee will emerge from the education office. It will reflect the position in the individual schools as seen by the education offices, notably the chief officer. It will also reflect the broad goals both of these officials and elected representatives. It is a commonplace of the sociology of British education that some local authorities are dominated by officials and some by councillors.

The budget itself will reflect all manner of existing commitments, very important among which will be a desire to treat all schools of a given type equally unless there are positive reasons to the contrary. Such reasons, in practice, turn out to be of two kinds. One may be a desire to help a school with special difficulties. The other seems to be almost an unconscious response to particular pressures. The present writer discovered in an examination of several local education authorities that, although they had basic standards of provision of teachers, books, etc., there were always individual schools that did consistently better than that. Moreover, generally, no particular reason could be found other than the personality of the head or the chairman of governors.

More fundamental altogether is the choice of expenditure between types of school. Thus, in the past some authorities especially favoured their grammar schools[68]. They staffed them much more favourably than other schools, and also gave them better treatment when it came to all other items of expenditure. This bias is not so noticeable nowadays, but it is taken for granted that sixth forms should be much better staffed than the rest of the secondary schoool. And, as we have shown, the unit cost of a secondary place is altogether higher than a primary. Some authorities modify this, and give as much as they can to their primary schools, but none get anywhere near to removing the secondary differential.

We are led, therefore, to an obvious point, that to a degree, unit costs in education seem to be determined arbitrarily or at best historically. In particular, it is difficult to discover why on average the benefits lie with staffing secondary schools so much better than primary. All the evidence supports the view that the earlier education effort is applied the better, and this is a proposition that holds *a fortiori* for children from a deprived social background. It is recognised that the marginal cost of helping such children may be very high indeed. Teaching some of them the basic skills of literacy must be almost as expensive as giving a university education to their more favoured *confrères*. What rarely happens is that such a possible reallocation of funds is discussed, let alone implemented.

In many, perhaps even in all, cases no procedure exists for a drastic reconsideration of the typical levels of expenditure per child. An authority does not ask "What is the cost of achieving our educational objectives for this child or this relatively homogenous group of children?" It formulates a norm for a heterogeneous group which it then modifies to a limited extent. To take an obvious example, suppose a group of immigrant children arrives within an education authority. An immediate priority would be to teach them the English language. It might be thought in the primary school that the best thing would be to teach them in a group half the normal class size. To do this for a whole year would be to incur only the unit cost of a secondary place, but even that would be regarded as an extremely drastic reallocation of funds.

68. Early evidence of this is to be found in the report of the Crowther Committee, *15 to 18. Report of the Central Advisory Council, 1959-60.*

THE ALLOCATION OF RESOURCES WITHIN THE SCHOOL

This leads us on to the allocation of resources within the school. Schools differ as to the relative positions of head and assistant teachers, and teachers altogether vis-à-vis outside authority and pressure. In the short term their objectives may be regarded as given (although in the medium and long term new objectives emerge). More pertinently, the resources available to the school, especially those at the free disposal of the teachers, are fixed. We have pointed out that the possibility of reallocation of resources within the school is extremely limited. Very little can be done about teacher numbers, although occasionally some flexibility is allowed in the use of part time teachers. About the only trade-offs that exist are between books, stationery, and other consumables, and even here the head would find it impossible to go to any extreme. (Some additional flexibility is provided by the fund raising activities of parents' associations. Frequently these are intended to pay for items such as school buses and swimming pools, which are outside the normal educational provision. But it is not unknown for such funds to be used for more narrowly defined academic purposes.)

Nonetheless, this small degree of financial autonomy is not trivial, and there is no doubt that some schools are more intelligent in their use of capitation allowances. In addition, it is generally agreed that a more efficient use of resources, geared to the needs of the school, has been achieved by allowing some financial freedom to heads. It is also argued by some that additional benefits would be gained if governing bodies had some financial autonomy as well[69].

One area in which there is little financial autonomy is in the employment of teachers. Although the head will press the authority for the type of teacher required (especially in secondary schools), and will also ask for additional teachers, he is not in a position as a rule to exercise choice at the margin between teachers and other resources. The suggestion has been made that in each school a basic teaching complement should be fixed, but then an additional sum should be made available which might be used for more teaching input or for other things. On the whole this has not been met with a positive response, and has been opposed both on the grounds that it would lead to the employment of too many teachers and too few.

This leads us to a basic issue of school finance which is being discussed somewhat elliptically at the present time. Where additional funds are made available to the individual school, these tend to be to deal with specific problems, especially those to do with disadvantage in all its forms. (We ignore the cases mentioned above which do not appear to be rationalisable at all.) The logic of this is to say that in broad terms all schools ought to be able to achieve the same objectives to the same standards, and resources ought to be allocated taking into account the relative ease or difficulty of doing so. Now it is accepted by many that, while this makes sense, it does conflict with other principles. Thus, if the difficulties confronting the school are internal to it, due, for example, to failure on the part of teachers, this failure may be reinforced if more resources are provided. Similarly, if the success of the school is specifically attributable to teachers, it then seems unfair to penalise them in terms of a lower level of resource provision. This problem of the paradox of penalising success and reinforcing failure is not unique to the British education system, nor to primary schools, but it certainly applies there. It may well be that it is simply impossible to devise a procedure which both rewards and encourages success and also offsets failure. Certainly it is not clear whether a solution can be arrived at which does not conflict with the principle of education priority. More particularly, it may be doubted if the instances of school failure, however rare, can be removed by mechan-

69. Anne Corbett, *op. cit.*

ical financial methods. To reward successful schools, and assume that they will encourage unsuccessful ones, ignores the fact that the main burden of the costs of failure is borne not by the teachers but by the pupils.

To conclude this section we emphasise again the weakness of the control links between every level of the education system and the level below. In technical terms, there are great control losses at every stage, and the equivalent of fine tuning in an economic sense is impossible. Although finance is important, it is doubtful whether it can be used as a method of close control. At the present time it can hardly be central to the incentives operating within the school. Indeed, insofar as primary schools have been innovatory, have set for the most part high standards, or have endeavoured to meet the needs of the pupils in particular and the community in general (and they have done all these things) the causes have been the professionalism of teachers, the authority of education officers, and the pressures of outside bodies. Financial incentives have had a comparatively minor role to play.

Chapter VIII

SOME CONCLUSIONS

Much of the discussion of the relationship between finance and educational objectives must necessarily remain rather speculative. We know a great deal about financial procedures as such, and quite a lot of material has been published in recent years on objectives. What is less easy to discern is how the two are related. It is possible to point to where decisions are taken, and one may even distinguish between the nominal decision makers and those who actually have the power in practice. It is also possible to state what the money is spent on, in the sense of isolating specific flow of resource inputs. In addition, where objectives are formulated in empirically recognisable and testable terms, an attempt could be made to discover what they are supposed to be and what they actually are[70].

The difficulty arises in trying to elucidate the interconnection between all these things. One may regard the two crucial questions as, What does finance affect? and, What affects finance? In some cases and at some levels these are easy to answer. In Britain at the present a reduction in the rate of increase and even in the level of real education expenditure has led to a relative decline in teacher employment and an absolute increase in teacher unemployment. This has been exacerbated by the very considerable rise in teachers' salaries following the Houghton Report[71].

It is also probable that the increase in teacher unemployment has been aggravated by a small change in opinion, notably local authority opinion, against teachers. In fixing educational budgets, while the employment of teachers has been given high priority, this has not been absolute. In other words, authorities have employed fewer teachers than they might have. (Indeed, as we have remarked, the most recent public expenditure plans of the government may be interpreted to mean that teacher unemployment is actually being planned for in the medium term.) What is a matter of judgement is how much weight is to be given to this factor of changing opinion, and even more a matter of judgement is what its educational consequences will be. One possible view is that it is now believed that the marginal value of teachers in educational terms is lower than it was once thought to be. This might be either because other resource inputs are thought to be more important, or because the marginal teachers themselves are of lower value and less useful. No firm conclusion can be arrived at, but the judgement of the present writer is that in this case the chief

70. This latter aspect of the matter is of fundamental importance. The hardest evidence we have available is what actually happens. An important research task, therefore, is to try and infer from this what objectives were actually being pursued. It is then of interest to relate this to what people ought to have been trying to do, and what they were under the impression they were aiming at.

71. See above, note 31.

causal influence has been from finance to education, and that the present cutbacks would not have occurred if only educational forces had been at work[72].

A more difficult, but related example, occurs in the area of educational technology. Here the evidence is partly that the desire to change resource inputs in this direction stems from the view that in certain circumstances this will be educationally beneficial. In the primary school for some kinds of children with reading difficulties an elementary form of programmed instruction using audio equipment is thought to be effective where other methods fail. Thus, at first sight, it seems reasonable to see the educational objective as being primary in the causal linkage.

An alternative view is that the general effect of technical progress and capital accumulation is to raise the price of labour inputs relative to capital inputs, and the price of labour intensive goods and services relative to all others. It would then be predicted that in a labour intensive activity such as education (and one in which there are powerful exogenous forces trying to raise labour intensity further), there will be attempts to diminish employment wherever possible. Thus, far from accepting the changed technology as desirable in its own right, some commentators have seen it as simply a matter of *faute de mieux*. Many of them have actually gone further and argued that there will be further educational consequences stemming from the introduction of new techniques, some of which must be unforeseen, and it cannot be taken for granted that all will be harmless[73].

Proceeding now to the question of motivation and efficiency, decision makers in education are all subject to budget constraints of one kind or another. Even within what were regarded as the good years the monetary position was not easy, and many desirable objectives had to be postponed. In times of economic difficulty the restrictions are even more limiting. Thus, it is difficult to argue that there has been any time when the constraints on spending have been so weak as to encourage wastefulness.

But there have been those who have taken the view that, because primary education is free, and does not have to meet a market test, it is intrinsically inefficient[74]. This may mean at least two things. One is that resources are used wastefully so that we have what may be called "input inefficiency". The second is that consumer demand is not met correctly, i.e. the wrong education objectives are being pursued so that we have what may be called "output inefficiency".

Much of the case here tends to be presented in *a priori* terms, and is predicated on assumptions about individual utility maximisation and competitive market behaviour quite common in elementary economics. When it comes to evidence this tends to be rather *ad hoc*, and is frequently to do with parental complaints about schools. The problem here is partly philosophical, namely how far education should respond to the demands of parents, and especially those who tend to be outspoken and vociferous. It is also a matter of the interpretation of data. Are the complaints about a free public service any greater in quantity and significance than those about a non-free

72. For those interested in "unforeseen contingencies" it is quite possible that the debate on standards and objectives itself might not have taken place if finance had not become as tight as it has.

73. The economist makes the assumption that in a productive process the nature of the commodity is given, and does not change as inputs used to produce it vary in proportion. In other words, the same output may be produced by a variety of input combinations. Obviously, this is an abstraction, and there may be small changes in the nature of the product, but these can be ignored. In cases such as education the abstraction may not do at all so that all variations in input proportions may lead to significant changes in the nature of the output. As an example, fewer teachers with more equipment may give children a different kind of education (not necessarily better or worse) than more teachers with less equipment. There is little or no evidence available on the relationship between input mix and outputs in education, and it is certainly a topic worthy of further study.

74. A. Maynard, *Experiment with Choice in Education*, 1975. E.G. West, *Economics, Education and the Politician*, 1968.

motor car? In other words, many products and services tend to fall below expectations, but in some cases the complaints are made more public.

It must be added immediately that this is not intended to induce complacency or to suggest that the primary schools in Britain are perfect. It may well be that they are extremely imperfect, and the objectives they pursue are not entirely those that many parents would like. But such conclusions could only be reached after much more detailed and empirical studies than have yet been carried out. Moreover, they must be placed in the general context of complaint and the average standards of service throughout the economy. It may also be noted that the trend of the past decade has been to take greater account of parental views, and there is every likelihood that this trend will continue in the next decade[75].

On input inefficiency virtually no evidence is available. There is clearly the possibility that the variance of certain input-output measures between local education authorities could be regarded as evidence of waste by some. We have pointed, however, that this variance has fallen through time, implying if the original premises are accepted, that efficiency is rising. It is also the case that a comparison with private industry shows a variance of resource use there altogether higher. Thus, while it may, of course, be true that, for example, a voucher system in primary education " ... because of choice and competition, promises a better quality of education for every pound already spent", the evidence is not there to support it[76].

Moreover, the conclusion does not hold theoretically if different assumptions than those of elementary economics are made about motivation. If, for example, teachers and administrators are typically professionally oriented, and if it is accepted that satisfaction of consumer demand in the short term is not the only criterion of assessment, then a competitive market system is not the correct means for achieving efficiency. In some cases it may raise costs, especially by proliferating schools the educational advantages of which are not obvious. Thus, those countries in which, usually for religious reasons, the education system is more diverse, while they may claim a greater degree of satisfaction of parental wishes, are only able to do so at a higher cost rather than a lower[77].

Having made the general point concerning efficiency, however, something must be added about the difficulty of dealing with inefficiency where this occurs, and especially about its financial aspects. In doing so we are bound to raise again the principle of the relationship between central and local government. We have already quoted the Department of Education's view on this, but it is instructive to quote an earlier statement by the Ministry of Education in 1950; "(The extension of central government finance of education must)... be looked upon with a critical eye by all those who have at heart the preservation and development of the principle of responsible local government, which has been evolved in this country during the last hundred years and which underlines the present partnership in the administration of the public educational system. For it is the very essence of partnership that each partner should make a reasonable and proper contribution, financial and other, to

75. See our remarks above on the subject of governors.

76. The general subject of education vouchers takes us well beyond the scope of this essay. There are, however, a number of points to be made briefly. One is that in the maintained system it is quite easy to give a choice of school without introducing a voucher system. Most, if not all, local educational authorities do this. Secondly, within the existing system some schools are oversubscribed and some undersubscribed. A short-term allocation procedure is then required to move to some kind of temporary equilibrium, and a long-term allocation procedure is required if the temporary imbalance of supply and demand turns out to be permanent. A way of doing this is to encourage the oversubscribed school to expand and the undersubscribed school to contract. Alternatively, the undersubscribed school may attempt to change so as to encourage demand for its places. A voucher system is not necessary to encourage these adjustments, and may not give rise to the socially best outcome.

77. An example of such a mixed system is the Netherlands. *O.E.C.D. Reviews of National Policies for Education.* Netherlands. *Contours of a Future Educational System*, 1976.

the furtherance of the common objective; otherwise the relationship risks degeneration into one of principal and agent, paymaster and payee[78]".

In interpreting this view of a quarter of a century ago and placing it in the context of similar views expressed today, two other matters ought to be borne in mind. One is that the percentage contribution to educational finance of the central government has risen considerably. The second is that the method of financing has shifted away from reliance on specific grants towards block grants. In terms of overall central control the latter may be interpreted as partly offsetting the former. In addition, until recently, much if not most enlightened education opinion was in favour of the latter move[79].

The question that now arises is not so much one of detailed control by the D.E.S., but the solutions of problems and the rectification of failure, and how finance and financial incentives may be brought into play. Consider two sorts of case. One, which is extremely rare, but not to the point of non-existence, would be of a school which was not meeting the kind of basic objectives which virtually everybody engaged in or concerned with education would agree to be desirable. (This extreme assumption is made to enable us to concentrate solely on the point at issue.) The second, probably more common, would be where schools in general were not meeting an appropriate standard, possibly a recently introduced higher one. An example of the first kind would be that of William Tyndale junior school to which we have already referred. An example of the second kind would be the report of the Bullock Committee on reading, which suggested that standards of literacy had not been rising at the rate that the more optimistic members, at least, of the community had thought desirable.

In both cases the revelation of the facts will lead to a professional response on the part of all those who need to be involved. The process of public debate, consultations, "pressures from above", and a broad desire to move in the right direction will lead to greater effort being devoted to the school in question, and to similar schools being pinpointed and helped. There will be greater attention paid to literacy in the primary schools, and even without extra government money, many authorities will try and shift resources in the appropriate direction.

Thus, the education system is not totally unresponsive to its problems. (More to the point, these problems do become publicly known even though in some cases they are allowed to persist for too long.) But it must be admitted that both for central and local government financial consequences of a not wholly attractive kind do follow. A local authority that searches for schools of the William Tyndale type knows that if it succeeds, it will immediately have to find some new resources to put into them. At the very minimum, its own inspectorate would have to become more closely involved with the school or schools concerned, and, given the immense difficulties arising if an attempt is made to dispense with the services of teachers, the solution may be to recruit more teachers to offset the deficiencies of those *in situ*. Presumably, a sensible authority will appreciate that incurring these costs will prevent a public outcry in the future involving greater expense still, but not all authorities are sensible[80]. In addition, the discovery of such schools will be interpreted as evidence of failure on its own part. Thus, it cannot be inferred that at the local level sufficient incentives exist to deal with extreme cases of educational failure.

Turning to central government, it may be expected that the normal work of Her Majesty's Inspectorate will reveal such cases as well, and that their good offices and general help and pressure will lead local educational authorities to deal with them.

78. Ministry of Education, *Annual Report*, 1950.
79. Layfield, *passim*.
80. This takes us back to our earlier comment that apart from social and economic deprivation some children are subject to administrative and political deprivations.

That is certainly the claim that they make. The evidence (specifically of William Tyndale) is that this is not sufficient, and that school failure is allowed to persist for considerable periods of time. One reason might be a desire on the part of central government to avoid the financial consequences of a more active role. But more important at present would be their wish not to undermine local autonomy and take greater control themselves[81].

It may be concluded, therefore, that insufficient incentives exist to deal with certain problems that arise in connection with the individual school, but that these are not entirely financial in nature. Even if no extra cost were involved, the central government, in particular, would be averse to interfering in these cases.

Where the issue is of a broader kind the question is whether, given all the persuasion, intellectual and moral leadership, and general cajoling and admonition that come from the centre, in addition, greater emphasis ought to be placed on specific grants. Thus, if in due course money could be found to support more of the Bullock committee recommendations, should this be added to the rate support grant in the usual way, or should a means be found of channelling it directly into activities to do with raising literary levels in the primary schools?

As the law stands the D.E.S. is not in a position to spend money directly on schools, so that some reforms would necessitate legal changes. Possible new departures would be:

i) A provision whereby l.e.a.s who spent money on a new service deemed specifically desirable by the Secretary of State are able to claim back some or all of it retrospectively from central government. This is the procedure of the Urban Programme.

ii) A provision whereby the rate support grant included an element attributable to the new service. Evidence would be required showing that the new service had been expanded if this element were to be allowed to persist.

iii) A specific grant for the new service payable in advance or as the money was spent.

iv) Direct expenditure by the D.E.S. or by a resource agency of the D.E.S. on the specific service, where the central body would decide the merits of each individual case (perhaps, according to publicly announced criteria).

Examples of all of these methods exist or have existed in the past. The resource agency approach, in particular, has been used to channel funds to the campaign to reduce adult illiteracy. The incentives at work are not identical, and the degree of D.E.S. involvement is not constant. In principle, and not surprisingly, each of the new departures implies an extension of central government's activities. What cannot be stated *a priori* is whether the extra success in reaching the defined objectives is worth the costs of this greater involvement (accepting for the sake of argument that such costs exist).

These two classes of example have been mentioned to elucidate the nature of the financial and control problems that exist in British education today. They are peculiarly relevant to the primary schools, because it is in that sector that certain well defined issues have arisen, and where a large part of public debate will be concentrated in the next few years. They should not be taken as implying, however, that the primary sector is in a critical condition, or that its problems are worse than would be expected in a free system, subject to economic difficulties, and broader controversy about society as a whole.

81. A curiosity of Britain's current economic position is that an interesting conflict of principle has emerged in the relationship between central and local government. The latter have not responded precisely as the former hoped to calls for reduction in expenditure. It appears that in the past year or two local education authorities have spent more than they were planning to do. Central government has exerted great pressure on them to come into line, but even this has meant a greater involvement in their affairs than used to be or, perhaps, was intended.

UNITED STATES

by

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INTRODUCTION

This case study is part of a cross-national study dealing with the financing of primary schooling in Australia, England, and Wales, the Federal Republic of Germany, the Netherlands, Norway, Sweden, Ontario (Canada), the United States of America, and Yugoslavia. The rationale for the project is to share cross-national information on the relationship between financing instruments and policy goals for education. Case studies probe the intended, unintended, and actual outcomes in such a relationship. There are many justifiable doubts about transplanting educational policy arrangements from one country to another. Consequently, the various country authors are working from a uniform research and reporting design that includes the context in which financing policy has been developed and implemented.

The country researchers meet at OECD-Paris twice a year to review research approaches and comparative findings. We are at a hypothesis generating stage. The cases should provide the basis for formulating well-defined hypotheses. The next stage will involve hypotheses-testing using comparative social science research techniques. The writer was assisted in this U.S.A. case by Wayne Wormley, a Stanford graduate student in a Ford Foundation funded program preparing specialists in educational finance research and policy.

This country's study will start with two state cases. We have tried to cover some different topics in each state case in order to provide the reader with more perspectives on the United States system. We will start with Florida as an example of what U.S.A. policymakers regard as a model or exemplary situation. We will then analyze California because it is the locus of the leading court order ruling a system "inequitable". Finally, we will present the national role in financing categorical programs as it is influenced by the state laws and contexts. The limits of finance instruments in accomplishing their goals will be stressed in this latter section.

Chapter 1

U.S.A. CONTEXT OF EDUCATION FINANCE: AN OVERVIEW OF MAJOR TRENDS

Education in the United States is a reserved power for the state governments. The States have formed local school districts usually based on city or county boundaries. The local districts elect a board of laymen to govern the schools and levy a tax on local residential and business property. The U.S. Constitution is silent on the powers of the national government in education. Indeed, in 1930 federal funds comprised only 0.3 percent of total school revenues. The basic system of education finance grew up in the United States between the period of 1880 and 1940. During that period the federal share of finance was so small that historians did not bother to analyze it separately from state aid.

In recent years the federal government's role has grown in terms of categorical grants for special purposes. In terms of our study, the federal special purpose grants create disparities for particular pupil populations, such as disadvantaged and handicapped, or items of expenditure, such as library books and guidance equipment. The federal share peaked in 1971-72 when it reached nine percent of a total of $50 000 000 000. Since then the federal share has declined to between six and seven percent in most states. Table 1 indicates the recent trend of more state aid, but local revenue still is the main component.

The major source of school finance has been a local tax on commercial and residential property. Local property taxes are viewed as a method of preserving local control of school policy. Local school districts now provide 48½ per cent of total U.S.A. school financing, using the property tax as their source. The local property tax has proven elastic because public schools consumed only 2 per cent of the gross national product in 1900, but by 1970 had grown to 4.2 per cent.

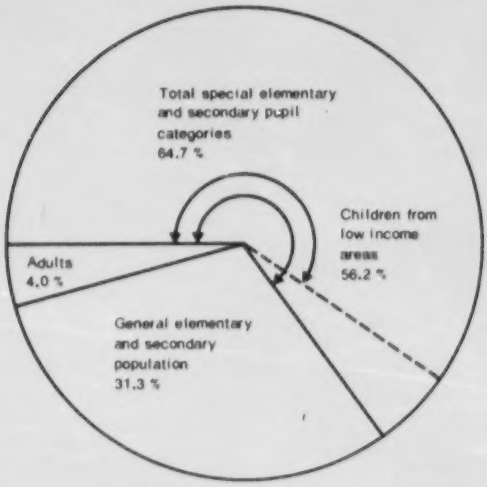
Table 1. **Trends in sources of school revenue receipts by level of government**

In millions of current dollars

Year	Federal		State		Local		Total	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
1929-30	7	0.3	354	17.0	1 728	82.7	2 089	100.0
1939-40	40	1.8	685	30.3	1 536	67.9	2 261	100.0
1949-50	156	2.9	2 166	39.8	3 155	57.3	5 437	100.0
1959-60	649	4.4	5 766	39.1	8 332	56.5	14 747	100.0
1969-70	2 545	6.6	15 645	40.7	20 286	52.7	38 476	100.0

Source of data: U.S. Office of Education except for the year 1969-70 which was estimated by the National Education Association.

Table 2. Per cent of federal expenditures in federally aided programs for elementary and secondary education, by pupil participant category: 1971-72


Total special elementary and secondary pupil categories 64.7 %
Children from low income areas 56.2 %
Adults 4.0 %
General elementary and secondary population 31.3 %

The federal role then in the overall financing system is a minimal special purpose role, oriented to special programs for disadvantaged, handicapped and vocational education students. However, there are numerous federal regulations with financial implications. One need merely think of such things as federal requirements for school desegregation, equity in programs for women, and housing policies. None of the regulations are linked to specific funding sources, but are based on Constitutional guarantees. Given our focus on macro education finance issues, however, the federal role is one which will occupy only marginal importance in our analysis.

Since education is a reserved power for the states, local school authorities derive any powers they may have over financing and governance in education from state constitutions and legislatures. Many states include limitations on local property tax rates, length of school year, and so on. The states also regulate the local authorities over such things as curriculum, collective bargaining, and school board elections. There are major differences between the states in terms of all aspects of educational policy, and these differences have persisted for centuries. For example, one state, New Hampshire, provides only 6.2 per cent of total school financing, with almost no regulations on expenditures. New Hampshire residents are particularly concerned about maintaining local control of school policy. Another state, Hawaii, provides 100 per cent of school costs, with detailed regulations for each school site. The numbers of school districts also vary widely. In the two states we will be studying, California has 1 067 districts; Florida has only 67 districts. Table 3 displays the interstate variations in support by levels of government. The southeastern states have the highest level of state support.

The early state role in education focused on bringing up the standards in rural schools to a minimum in terms of school offerings and teacher certification. Local schools were responsible for the actual curricular choices and operations. Local boards used the property tax rate as a method to restrict expenditure growth. Again, there is vast interstate variation. Texas has a state adopted textbook system, but the majority of the states permit local choice.

Table 3. Revenue receipts of public elementary and secondary schools from federal, State, local, and other sources, by State: 1971-72

Amounts in thousands of dollars

State	Total revenue receipts	Federal[a]		State		Local sources (including intermediate)[b]	
		Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
1	2	3	4	5	6	7	8
UNITED STATES	$50 003 645	$4 457 969	8.9	$19 133 256	38.3	$26 402 420	52.8
Alabama	547 500	117 691	21.5	306 936	56.1	122 873	22.4
Alaska[c]	121 003	30 192	25.0	78 460	64.8	12 351	10.2
Arizona	476 595	56 278	11.8	191 924	40.3	228 393	47.9
Arkansas	302 864	64 304	21.2	130 320	43.0	108 240	35.7
California	5 279 614	414 938	7.9	1 766 898	33.5	3 097 778	58.7
Colorado	580 587	48 668	8.4	160 493	27.6	371 426	64.0
Connecticut	805 654	32 696	4.1	305 394	37.9	467 564	58.0
Delaware	169 410	14 232	8.4	117 761	69.5	37 417	22.1
District of Columbia	222 324	60 202	27.1	—	—	162 122	72.9
Florida	1 377 397	164 076	11.9	728 120	52.9	485 201	35.2
Georgia	841 580	132 040	15.7	414 825	49.3	294 715	35.0
Hawaii[d]	228 646	27 082	11.8	198 230	86.7	3 334	1.5
Idaho	147 836	18 075	12.2	59 303	40.1	70 458	47.7
Illinois	2 841 444	168 171	5.9	940 791	33.1	1 732 482	61.0
Indiana	1 217 255	69 654	5.7	389 269	32.0	758 332	62.3
Iowa	702 217	45 743	6.5	198 827	28.3	457 647	65.2
Kansas	464 194	41 183	8.9	131 284	28.3	291 727	62.8
Kentucky	543 061	96 282	17.7	289 869	53.4	156 910	28.9
Louisiana	758 353	110 781	14.6	418 895	55.2	228 677	30.2
Maine	224 565	21 557	9.6	79 561	35.4	123 447	55.0
Maryland	1 161 894	90 232	7.8	456 337	39.3	615 325	53.0
Massachusetts	1 480 571	72 817	4.9	390 661	26.4	1 017 093	68.7
Michigan	2 377 400	172 287	7.3	1 031 761	43.4	1 173 352	49.4
Minnesota	1 112 611	73 149	6.6	531 204	47.7	508 258	45.7
Mississippi	354 158	98 585	27.8	171 920	48.5	83 653	23.6
Missouri	976 713	90 461	9.3	327 185	33.5	559 067	57.2
Montana[e]	174 508	17 987	10.3	39 000	22.3	117 521	67.3
Nebraska	291 275	28 614	9.8	52 085	17.9	210 576	72.3
Nevada	133 232	11 987	9.0	51 796	38.9	69 449	52.1
New Hampshire	149 212	11 651	7.8	9 269	6.2	128 292	86.0
New Jersey[e]	1 953 799	111 241	5.7	456 771	23.4	1 385 787	70.9
New Mexico	244 000	49 998	20.5	145 492	59.6	48 510	19.9
New York	5 678 715	387 689	6.8	2 417 469	42.6	2 873 557	50.6
North Carolina	938 098	168 808	18.0	532 229	56.7	237 061	25.3
North Dakota	142 404	23 135	16.2	39 807	28.0	79 462	55.8
Ohio	3 574 381	141 309	4.0	666 694	18.7	2 766 378	77.4
Oklahoma	481 536	65 003	13.5	217 704	45.2	198 829	41.3
Oregon	556 755	47 763	8.6	112 324	20.2	396 668	71.2
Pennsylvania	2 799 878	191 129	6.8	1 315 577	47.0	1 293 172	46.2
Rhode Island	229 456	17 120	7.5	95 228	41.5	117 108	51.0
South Carolina	484 387	90 775	18.7	260 530	53.8	133 082	27.5
South Dakota	146 105	22 646	15.5	20 507	14.0	102 952	70.5
Tennessee	647 288	95 236	14.7	305 122	47.1	246 930	38.1
Texas	2 324 385	290 476	12.5	1 094 287	47.1	939 822	40.4
Utah	255 527	28 365	11.1	131 365	51.4	95 797	37.5
Vermont	125 837	7 597	6.0	45 359	36.0	72 881	57.9
Virginia	1 013 533	141 531	14.0	330 845	32.6	541 157	53.4
Washington	844 672	79 487	9.4	427 145	50.6	338 040	40.0
West Virginia	338 489	46 407	13.7	190 957	56.4	101 125	29.9
Wisconsin	1 067 113	50 900	4.8	327 353	30.7	688 860	64.6
Wyoming	93 414	9 739	10.4	32 113	34.4	51 562	55.2

a) Includes value of commodities distributed under the school lunch and milk programs.
b) Includes a relatively minor amount from other sources (gifts and tuition and transportation fees from patrons) which accounted for 0.4 percent of total revenue receipts in 1967-68.
c) Data from published reports.
d) Both State and local revenues are reported even though the entire State of Hawaii is regarded as a single school system.
e) Includes data from published and unpublished reports: partially estimated by the National Center for Education Statistics.

Source: U.S. Department of Health, Education, and Welfare, National Center for Education Statistics, *Statistics of State School Systems*, 1971-72.

The 1940s, and particularly the latter half of his decade, brought a substantial increase in state influence and share of funds[1]. States attempted to equalize the variations on local property tax bases. While the state share of total school financing grew from 30 per cent in 1960 to 41 per cent in 1970, much more of the state money was used to equalize local property tax variations.

The state need for equalizing educational sources is highlighted by a comparison in Oregon where one school district has an assessed property value of $538 000 per pupil and another has an assessed value of $16 000 per pupil. Obviously, the same property tax rate will result in much more school spending in the wealthy locality. It also enables some taxpayers to have low tax rates and very extensive educational programs. The movement towards more equality in school finance has brought with it increased state regulation and state categorical programs for the disadvantaged, handicapped, and so on, similar to the federal programs. Local control advocates fear state financing will erode local policy discretion.

The political context of education finance has changed greatly in the last five years, with a public view that education expenditures should have lower priority. Consequently, state education finance has become more and more integrated with general fiscal considerations. Traditionally, education had a reserved or special place in most state budgets where it had first priority on the available new resources in the treasury. Within the last five years this has changed drastically and now state education funds compete more intensely with all other public services. The state level of funding is more a derivative of total public finance considerations, with tough competition from environmental and health concerns.

This integration of education finance with total public finance is even more evident at the federal level where education is a very minor proportion of the total federal budget. The total federal budget is around 350 billion dollars, while education at all levels—elementary, secondary and post-secondary—consumes only on the order of 15 billion dollars. Education has a larger share of state budgets, ranging in our two cases from about 60 per cent of the general fund in Florida to 42 per cent in California.

The increase of public skepticism about the rate of return and effectiveness of public education has led to more careful scrutiny by state legislative and gubernatorial staffs. Educators have had to make a case on the basis of pupil outcomes from increased expenditures, as well as traditional arguments to cut down pupil-teacher ratios.

A recent study at Harvard University received wide attention because of its stress on a declining rate of return to college education—down to 8 per cent from 13 per cent in the last ten years. National achievement test scores for graduating high school seniors are also declining, reinforcing public skepticism about the payoff from additional education funds.

In sum, the education context in the United States is one of formal legal control exercised by the states. However, the states have delegated many of these powers to the locals. Local general governmental authorities opted for fiscally independent school districts in order to shield school policy from corruption and other "undesirable" local political trends. A study in 1962 indicated there were twice as many fiscally independent school districts under which the local school board is *not* required to submit its budget for approval of any other governmental agency. Fiscal indepen-

1. For an overview of school finance in the United States, see Joel S. Berke, *Answers to Inequity* (Berkeley: McCutchan, 1974). For a description of the reform programs, such as Florida and California, see W. Norton Grubb, *New Programs of State School Aid* (Washington: National Legislative Conference). Much of the information on Florida is derived from *Improving Education in Florida*, published by the Florida Governor's Office, Tallahassee, 1972, especially pages 79-299.

Table 4. Percentage of school revenue derived from State sources, 1930-1970

In thousands of dollars

State	1930	1940	1950	1960	1970
U.S. Overall	17.3[a]	29.2	39.8	39.4	40.7
Alabama	40.8	54.1	71.6	65.3	63.0
Alaska	—	—	—	—	43.7
Arizona	19.6	18.8	33.8	34.0	47.5
Arkansas	33.7	43.2	58.1	46.6	45.5
California	25.6	45.9	41.3	40.6	35.0
Colorado	3.2	5.0	20.2	19.5	25.3
Connecticut	8.1	8.7	23.6	34.6	33.1
Delaware	87.9	84.4	83.5	82.5	70.6
Florida	22.8	50.4	50.8	56.5	56.5
Georgia	35.6	56.8	57.4	64.0	58.7
Hawaii	—	—	—	—	87.0
Idaho	7.7	10.7	23.5	27.6	43.2
Illinois	5.3	10.0	16.5	20.6	34.4
Indiana	5.5	32.2	37.4	29.9	34.9
Iowa	4.3	1.1	19.1	12.0	30.1
Kansas	1.7	10.9	24.0	19.2	26.1
Kentucky	26.1	40.0	35.1	45.8	52.6
Louisiana	26.9	52.3	69.6	70.2	58.3
Maine	28.6	15.6	27.8	25.8	44.9
Maryland	17.7	21.6	38.3	34.2	35.2
Massachusetts	9.5	10.0	20.5	20.0	20.0
Michigan	18.2	41.6	53.4	43.2	45.1
Minnesota	20.6	31.7	36.2	39.7	43.4
Mississippi	33.5	37.1	47.8	56.5	51.6
Missouri	10.6	32.1	38.9	31.0	34.5
Montana	14.1	7.2	25.3	23.6	30.9
Nebraska	5.4	1.0	6.2	6.5	20 0
Nevada	19.0	17.0	36.5	51.3	39.2
New Hampshire	9.0	5.1	6.2	6.3	8.5
New Jersey	21.2	5.5	19.0	23.7	28.5
New Mexico	21.8	45.3	86.0	74.4	62.7
New York	27.6	33.1	40.0	39.5	45.4
North Carolina	16.6	65.8	67.5	66.7	70.9
North Dakota	11.1	12.8	27.0	26.4	27.2
Ohio	4.1	35.3	31.4	27.7	31.6
Oklahoma	10.6	34.0	56.5	27.7	40.8
Oregon	2.3	.4	28.6	29.3	20.6
Pennsylvania	13.9	21.0	35.1	45.8	46.9
Rhode Island	8.6	10.3	20.2	23.2	34.5
South Carolina	25.5	48.6	55.2	66.6	61.6
South Dakota	10.1	7.6	12.1	8.9	13.6
Tennessee	24.7	33.3	56.9	58.0	49.3
Texas	42.6	39.4	61.8	50.0	42.8
Utah	33.6	37.3	50.3	44.0	51.4
Vermont	12.2	14.5	27.6	24.8	28.6
Virginia	27.9	31.2	39.6	37.0	36.6
Washington	28.9	57.9	65.6	61.6	58.8
West Virginia	8.3	50.7	62.7	52.9	48.2
Wisconsin	17.0	17.2	17.4	22.6	29.4
Wyoming	27.1	4.3	42.0	47.5	25.4

a) Includes 0.3 per cent of federal funds.
Source of Data: United States Office of Education except for the year 1970 which was estimated by the National Education Association.

dence supposedly would enable education policy to be uncontaminated by political parties and special interests who sought favors from local government. In reality, it provided professional educators with the dominant role in policy formulation.

In recent years the state has been taking back local prerogatives as its role has increased in equalizing finance and redistributing educational resources from wealthy local property tax areas to poor property tax areas. The persistence of interstate differences in educational finance and policy making will be highlighted by our choice of two different states: California versus Florida. But first we shall explore the magnitude and effectiveness of the federal role.

Chapter II

FEDERAL FINANCE POLICY

In the last decade, the federal government has expanded its monetary commitment to education in a striking manner. This increased commitment is demonstrated by the Office of Education's budget growth from $477 million in 1962 to $5.5 billion in 1972. The federal share of overall education expenditures at all levels, however, displayed only a slight increase, from 4.4 per cent to 9 per cent during the same period. But the federal government has great possibilities for an important role in education through such policies as transportation and housing. For example, the FHA (Federal Housing Administration) created many of today's suburbs, which hold crucial implications for urban education.

In aggregate terms, most of the 9.7 per cent annual growth in lower education expenditures from 1960 to 1970 has been provided by state and local funds (particularly the latter). Over this decade federal expenditures increased by $1.9 billion, state expenditures by $9.86 billion, and local expenditures by $11.74 billion.

There are basically six modes through which higher levels of government can affect local schools where education services are delivered to children:

1. Provide general aid—furnish no strings aid to states and localities or general support for teacher salaries and construction. General revenue sharing fits into the former mode; the 1961-63 bills of the Kennedy Administration fit into the latter. Recent proposals for federal assumption of one-third of total school costs would employ this mode.
2. Stimulate though differential funding—earmark categories of aid, provide financial incentives, fund demonstration projections, purchase specific services. This is the orientation of ESEA (the Elementary and Secondary Education Act of 1965) and California's Early Childhood Program. It is the focus of the discussion in the remainder of this section.
3. Regulate—legally specify behavior, impose standards, certify and licence, enforce accountability procedures.
4. Discover and make available knowledge—have research performed, gather and make available statistical and other data.
5. Provide services—furnish technical assistance and consultants in specialized subjects or areas.
6. Exert moral suasion—develop vision and question educational assumptions through publications, speeches by top officials, etc. A recent example of this is U.S. Commissioner of Education Marland's advocacy of career education.

The Office of Education traditionally (1867-1958) stressed mode 5 with very minor efforts through mode 2. State governments historically stressed 1 and 3.

In 1965, the differential funding route, mode 2, became the key mode for federal influence through bigger and bolder categorical programs and demonstrations. Recently, federal policy has relied more on 4 and 6. Many states have followed the federal pattern in expanding categorical grants.

Federal aid to elementary and secondary education is $4.2 billion; about $2.3 billion is for disadvantaged children, analyzed in Table 2. Another $500 billion is for vocational education and $300 billion for handicapped children. The impact of federal aid has been on these special "target student populations" with negligible effect on the overall fiscal equity problem caused by variations in local property tax assessed value.

Any analysis of federal influence must emphasize the crucial role of the federal judiciary. In the field of education, no single public decision has had more impact than the 1954 Supreme Court decision to desegregate the schools. The recent spate of court decisions on students' rights has resulted in large part from suits brought by federally funded lawyers.

STIMULATING CHANGE IN EDUCATIONAL ORGANIZATIONS

Currently, several large-scale federal and state programs stress the promotion of innovation or change in local programs, priorities, and classroom practices. The analysis below highlights the constraints for both federal and state categorical programs and regulations. It also helps us to explore the interactions of governance levels in a federal system. Unfortunately, we have very little input, process, or output evaluation of categorical aid other than laudatory statements by administrators before legislative committees[2]. We do have, however, an impressive array of literature on the organizational rigidity of local schools and some extensive observations of classrooms indicating. that very little has changed since the growth of federal and state programs. As one observer expressed it, "Books criticizing the dysfunctional consequences of organizational rigidity in public schools are so numerous as to give the publishing industry a stake in resisting educational reform[3]. "

Willis Hawley analyzes several sources of organizational rigidity and lists the following impressive barriers:

1. the difficulties in, and resistance to, measuring school outputs;
2. the restrictions and small impact of exit by the clients and personnel of a school, e.g., dropouts, academic failure, and teacher turnover do not lead to incentives for change in standard operating procedures;
3. distortion, mitigation, and dimunition of the demands and political inputs school systems must confront because of limited lay participation (parents and community groups) and leverage on organizational routines;
4. the nature and inadequacy of internal LEA communication networks;

2. See Michael W. Kirst, "The Growth of Influence in Education" in C. Wayne Gordon (ed.), *The Uses of Sociology of Education* (Chicago: National Society for the Study of Education, 1974), pp. 448-477.

3. Willis D. Hawley, "Dealing with Organizational Rigidity in Public Schools: A Theoretical Perspective", a paper presented at the annual meeting of the American Political Science Association, Chicago, September 7-11, 1972. For a number of books citing organization rigidity, see Morris Janowitz, *Institution Building in Urban Education* (New York: Russell Sage, 1970); Seymour Sarason, *The Culture of the School and the Problem of Change* (Boston: Allyn and Bacon, 1970); Patricia Sexton, *The American School* (Englewood Cliffs, N.J.: Prentice-Hall, 1967); and Michael Katz, *The Irony of School Reform* (Cambridge: Harvard University Press, 1968).

5. the diffuseness of educational goals and teacher role expectations;
6. personnel policies and practices that do not reward performance and that constrain the input of new ideas; and
7. the absence of research and evaluation on effective educational programs.

These sources of rigidity are interrelated and reinforce each other. They result in routine work driving out non-routine work.

For our purposes here it is important to realize that federal and state categorical aid is change oriented money that is being filtered through this "rigid" local educational organization. Indeed, federal leverage should extend to the locus of where the child comes in contact with education services—at the classroom level. Given our definition of "influence" a relevant question becomes, "Has categorical aid altered the process of education in a large number of classrooms?" Have the services purchased with intergovernmental grants reached the classroom level or have they been diverted to other uses? In short, do lower levels of educational governance respond to the priorities and policies of higher levels?

Given the rigidities in any large scale organization and the uncertain, fluctuating nature of categorical funds, it is not surprising that federal and state influence has been diluted at the local level[4]. Recent work on the implementation of educational innovations by Berman and McLaughlin has established a conceptual framework for the study of federal or state innovations. The three stages of innovation are mobilization, implementation, and institutionalization. Mobilization is the initial stage when the innovating organization decides whether or not it will undertake an innovation. The stage is marked by negotiation among different parts of the total organization. The outcome of this stage is the amount of support or commitment to the innovation which is to be attempted. The amount of support will depend upon whether the organization's motives for undertaking the policy were opportunistic or based on a desire to try out or incorporate new behavior.

The second stage is called implementation. This stage consists of the actual carrying out of the policy. The theory asserts that there must be sufficient support for the innovation for it to be implemented. Successful implementation is defined as a mutual adaptation of the innovation and the organization in which both have changed from their initial characteristics. Unsuccessful implementation is defined by the following patterns of behavior:

1. if the standard operating procedures of the organization swallow up the proposed change for other than the intended purposes (co-optation);
2. if implementation was never attempted (non-implementation); or
3. if the innovation was technically implemented but did not affect the standard operating procedures of the organization (technological learning).

The last stage of the process, institutionalization, occurs after the external resources to support implementation of the innovation have been removed. It is at this time that it is possible to see what effect the innovation has had on the operation of the organization and the accomplishment of its goals. If the innovation and its embedding organization have mutually adapted, then the standard operating procedures of the organization should have changed so that new regular patterns of behavior can replace the old ones (hopefully without the need of supplemental resources).

4. John Goodlad, *et al.*, *Behind the Classroom Door* (Worthington, Ohio: Charles A. Jones Publishing Co., 1970), p. 772. The recent study is by Paul Berman *et al.*, *Federal Programs for Supporting Educational Change* (Santa Monica: Rand Corporation R-1589), 1975.

THE FEDERAL-STATE-LOCAL GOVERNANCE PATTERN

In part, discouraging findings can be explained by the delivery system for federal aid as well as by the nature of the local education organization. Table 5 is a diagram of the implementation obstacle course for federal aid. Conflicting values lead to stress in the political system over educational policies. For example, low income parents may have different priorities than middle income groups. Stress generates demands and supports for political authorities to consider. Note that a categorical program, like Title I of ESEA, must pass through three different political systems initially, and then several feedback loops. The program used in the diagram is Title I of the Federal Elementary and Secondary Education Act of 1965. Title I of ESEA is by far the largest financial component (over $2.3 billion in 1976) and the one surrounded by the most political controversy and feedback. The purpose of this program (as outlined in Public Law 89-10) is " to provide financial assistance... to local educational agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs (to meet) the special educational needs of educationally deprived children ". The central thrust of the law, then, was to said low-income children. When first signed, it required the use of two poverty indicators in its fund-distribution formula:

1. the number of children aged five through 17 from families with an annual income of less than $2 000 (based on the 1960 census);
2. the number of children aged five through 17 from families with incomes exceeding $2 000 in the form of aid to families with dependent children (AFDC) under Title IV of the Social Security Act.

The United States Commissioner of Education, as well as state and local education agencies, have responsibilities for administering the Title I program. We will merely summarize these.

The United States Office of Education

1. develops and disseminates regulations, guidelines, and other materials regarding the approval of Title I projects;
2. reviews and assesses the progress under Title I throughout the nation.

State Education Agencies

1. approve proposed local projects in accordance with federal regulations and guidelines;
2. assist local educational agencies in the development of projects;
3. submit state evaluative report to USOE.

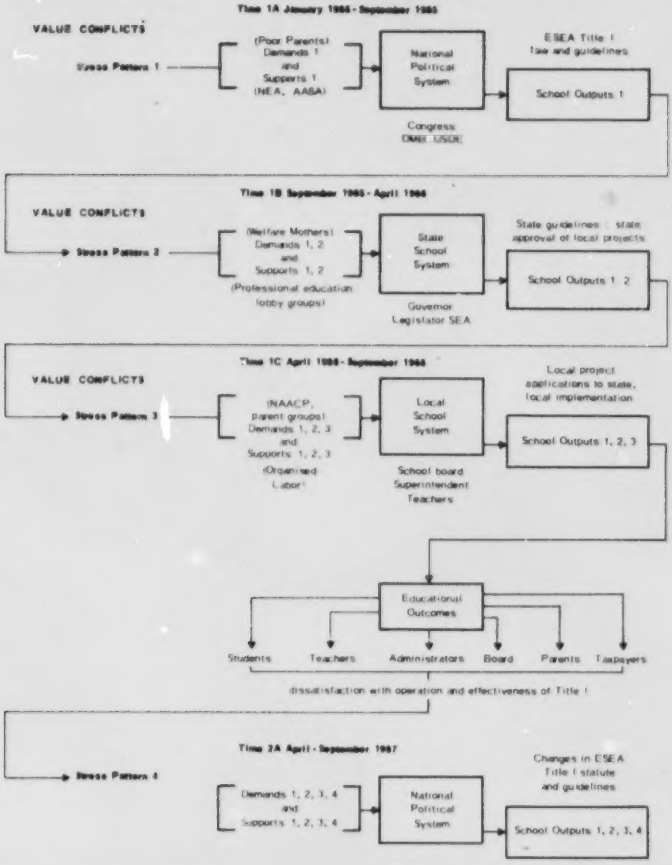
Local Education Agencies

1. identify the educationally deprived children in the areas where there are high concentrations of low-income families and determine their special educational needs;
2. develop and implement approved projects to fulfill the intent of Title I.

Under Title I, individual state departments of education approve local projects. The states act under the direction of federal guidelines and regulations.

It is a long way from USOE to a classroom in Houston, Texas, with many potential sandtraps and chasms in between. When one considers the various structures and individuals at all three levels, implementation of a program is an awesome task. Essentially, aid relies on a top-down strategy (operating largely through administrators wielding federal-state regulations and guidelines), but lacks

Table 5. Federal policy in a systems framework[1]


Time 1A January 1965 - September 1965
VALUE CONFLICTS
Stress Pattern 1
(Poor Parents) Demands 1 and Supports 1 (NEA, AASA)
National Political System
Congress
OMB USOE
ESEA Title I law and guidelines
School Outputs 1
Time 1B September 1965 - April 1966
VALUE CONFLICTS
Stress Pattern 2
(Welfare Mothers) Demands 1, 2 and Supports 1, 2
(Professional education lobby groups)
State School System
Governor
Legislator SEA
State guidelines + state approval of local projects
School Outputs 1, 2
Time 1C April 1966 - September 1966
VALUE CONFLICTS
Stress Pattern 3
(NAACP, parent groups) Demands 1, 2, 3 and Supports 1, 2, 3
(Organised Labor)
Local School System
School board
Superintendent
Teachers
Local project applications to state, local implementation
School Outputs 1, 2, 3
Educational Outcomes
Students
Teachers
Administrators
Board
Parents
Taxpayers
dissatisfaction with operation and effectiveness of Title I
Time 2A April - September 1967
Stress Pattern 4
Demands 1, 2, 3, 4 and Supports 1, 2, 3, 4
National Political System
Changes in ESEA Title I statute and guidelines
School Outputs 1, 2, 3, 4

1. Adapted from Frederick Wirt and Michael Kirst, *The Political Web of American Schools*, (Boston: Little, Brown, 1972). This book has been revised and republished as *The Political and Social Foundation of Education* (Berkeley: McCutchan, 1975).

necessary sanctions and incentives to ensure that the aid reorients state and local priorities or reaches the intended targets. Incremental progress, however, has been made, as demonstrated by such Title I ESEA policies as concentration of funds on fewer pupils and the initiation of parent advisory councils[5].

The systems framework helps us understand the inevitability of frequent changes in federal priorities and policies. New value conflicts and demands continually arise and are transmitted to political authorities at all three levels. The annual budget process ensures that these demands are given an opportunity to change fiscal flows.

5. For a comprehensive analysis of ESEA policies, see Joel Berke and Michael W. Kirst, *Federal Aid to Education: Who Governs, Who Benefits* (Lexington, Mass.: D.C. Heath and Company, 1972).

The diagram highlights the unique characteristics of state and local policies. Each state has a somewhat different value and stress pattern. Similar demands are filtered through a distinctively different political culture and tradition. Consequently, neither the policy outcomes nor the governance systems is uniform across the nation.

Federal officials view state education agencies (SEAs) as their primary reference group, and rely on them for many key administrative decisions and grant negotiations. Most SEAs, however, do not have sufficient support from governors and legislators to adequately staff their needs. Indeed, USOE has found it necessary to strengthen state governance structures. In Texas, for example, 70 per cent of the SEA is financed by federal funds. All the growth in the California SEA since 1963 has resulted from federal funds (primarily Title V ESEA and the 1 per cent state administrative allowance for each categorical program)[6]. Recently these federal grants have stressed support of state planners, information processors, and evaluators.

The performance of the SEAs varies greatly and sweeping generalizations are impossible. But federal officials have been dissatisfield with the unwillingness and/or inability of several states to implement the intent of federal legislation[7]. In large part, the states can ignore or reinterpret federal intent. As one analyst observed:

> USOE's behavior has in part been adapted to take advantage of its strategically weak bargaining position. It is virtually impossible for USOE to cut off funds which the states view as their rightful entitlement under law. The states know this and so does USOE; thus, orders or demands by USOE are bound to be ineffective since they cannot be backed with action. Furthermore, demands might alienate the states and result in a loss of communication. Since USOE's influence comes mostly from the power of persuasion, and since it is presently almost totally reliant on the states for information about local programs, it is absolutely essential that USOE maintains cordial relations with states that are in a position to exact a price for their good will. As a result USOE will be willing to sanction (perhaps covertly) deviations from the statute in exchange for open communications. Thus, the agency's service orientation and deference to local officials can be understood in part as rational behavior, designed to achieve the greatest possible influence from a weak bargaining position. USOE's problem, then, is not simply the lack of will or lack of staff, but lack of political muscle[8].

Despite numerous impediments, categorical, aid has resulted in several major changes, e.g., more jobs for minorities, new people in key administrative positions, expansion of the teacher aide concept, and increased attention to disadvantaged children. Federal and state requirements have caused an increase in parent involvement, e.g., California's Early Childhood Program requires a parent council at each school to review the entire school program. Backstopping these regulations are federally funded legal services for the poor. Poverty program lawyers ally with lay groups to sue education authorities on everything from dress codes to violations of federal and state guidelines.

School districts, however, have multiple sources of revenue (often 100 sources in large cities), including bonds, property taxes, special allotments for handicapped children, several categories of state aid, and numerous federal aid categories. As the number of income sources increases, the ability of any single federal or state

6. *ibid.*, Chapters 5-10.

7. See, for example, Select Committee on Equal Education Opportunity, *Delivery Systems for Federal Aid to Disadvantaged Children* (Washington: GPO, Part 17), October 1971.

8. Jerome Murphy, "Title I ESEA: The Politics of Implementing Federal Education Reform", *Harvard Educational Review*, Vol. 41, No. 1, February 1971, p. 45.

categorical administrator to trace the impact of his contribution decreases[9]. Under a procedure termed "multipocketed budgeting", local administrators plan their programs and then review all their income sources (including federal grants) to find the needed resources. This promotes local priorities at the expense of objectives advocated by higher governance levels. Districts plan how to shift their own resources to other uses as categorical grants become available. If a categorical grant is restricted to an area in which the district administrators think they are doing an adequate job, they will work out a procedure where at least part of the funds are "symbollically allocated", e.g., a federal grant releases local funds that would have been used in the federally aided programs.

In sum, federal categorical aid has been a relatively small percent of total funding, but its influence has been large because of its special purpose nature. An enormous range of ideas for change in American education has been underwritten—research on "open classrooms", model elementary teacher training, Upward Bound, educational television, and so on. The administrative system of public education has also been influenced. But this impressive potential has often been emasculated by such countervailing trends as:

- Inadequate planning or lead time.
- Multiple objectives that lead to no coherent focus on the disadvantaged or other targets.
- Uncoordinated, piecemeal categorical titles that are spead all over the LEAs and not linked together.
- Limited federal and state manpower for monitoring, auditing, and evaluating.
- Rapidly shifting priorities and ever-changing key administrative personnel.
- Multipocketed budgeting that obscures LEA accountability and encourages symbolic allocation.
- Organizational rigidity of local education organizations.
- Inadequate preparation and inservice training for teachers in contact with children.
- Lack of research and evaluation based on "what works" with the disadvantaged child or any other child.
- An uncertain, fluctuating national commitment to educational change; and
- Legislative preference for disbursing money quickly and assuming that everybody gets something, which clashes with its desire to enforce program standards.

Federal education policy is now in a pause and reflect era. No bold new initiatives loom in the near future[10]. A major program to improve the equity of state/local education finance was rejected in 1972. State governments do use some of their $2.5 billion of general federal revenue sharing money for education. General federal resources, however, are too small to affect overall state funding patterns. There is no major political movement to increase federal income taxes as a substitute for the local property tax. Some revisionists are now contending property taxes are levied primarily on capital and consequently are progressive.

Federal policy will continue to emphasize "target groups" such as the disadvantaged and handicapped. Federal courts will continue to expand anti-discrimination enforcement. But state governments are the most likely locus for any dramatic shifts in the overall fiscal balance for education.

9. See David Porter, "The Mobilization of Federal Aid by Local Schools: A Political and Economic Analysis", final report submitted to the Syracuse University Research Corporation, February 1971.

10. For a discussion of future federal policy, P. Michael Timpane, "Federal Aid to Schools: Its Limited Future", *Law and Contemporary Problems* (Durham: Duke Law School), Winter 1974, pp. 493-512.

Chapter III

THE INTERVENTION OF THE COURTS IN AMERICAN SCHOOL FINANCE

In 1972 a powerful but uncertain force began to upset the patterns of American education finance[11]. A California Court ruled that the state's system of education finance violated the *State Constitution*. The court endorsed the principle of "fiscal neutrality". State systems of school finance are unconstitutional if they permit the amount of money spent on a child's education to depend on the property tax wealth of the local school district. Only the wealth of the state as a whole, not of its individual school districts, could constitutionally condition the money available for a child's education. Consequently, the state would have to use its revenue base to even out the disparities in local property tax values.

Several other states adopted this line of argument, including Minnesota, New Jersey, and Connecticut. But the "fiscal neutrality" adherents lost in the federal courts and did not get a nationwide ruling based on the U.S. Constitution clause for equal protection of the laws. As Justice Powell wrote for the majority:

> The consideration and initiation of fundamental reforms with respect to state taxation and education are matters reserved for the legislative process of the various states, and we do no violence to the values of Federalism and separation of powers by staying our hand.

But the Court's opinion indicates its displeasure with the status quo in this area. In Justice Powell's own words, "The need is apparent for reform in tax systems which may well have relied too long and too heavily on the local property tax". Justice Stewart, in a concurring opinion, was even more hardhitting: "The method of financing public schools in Texas, as in almost every other state, has resulted in a system of public education that can fairly be described as chaotic and unjust." The Court's decision reflected the belief that while reform may be necessary, the U.S. Supreme Court is not the proper institution to promote these changes—instead the initiatives and solutions must come from the lawmakers in the separate states. The Court's opinion, while defusing some of the immediate pressures for change, did not make the need for reform any less urgent. The basic injustices and inequities remained to be dealt with by the cross currents of the political process.

Just two weeks following the U.S. Supreme Court decision, the Supreme Court of New Jersey, in a unanimous vote in the case of *Cahill* v. *Robinson*, overturned that state's school finance system since, in the court's opinion, it failed to provide a

11. Legal analysis for this section drawn from Berke, *op. cit.* For conflicting views on input/output relationships, see Christopher Jencks, *et al.*, *Inequality* (New York: Basic Books, 1971) and James Guthrie, *et al.*, *Schools and Inequality* (Cambridge: MIT Press, 1971).

" thorough and efficient " school system, guaranteed by the State Constitution. Although the State Supreme Court refused to mandate a particular constitutional school finance system, it doubted strongly that any alternative could comply with the " thorough and efficient " standard if it continued to rely upon unequalized local property taxation. The opinion stressed that it is the responsibility of the legislature, not the court, to devise an alternative school finance system. The landmark *Serrano* case in California is now in its final appelate stage.

It is important to recognize what these court decisions require. They have been essentially negative in character, because courts are reluctant to mandate any particular kind of school finance system into operation. Moreover, none have invalidated the use of local property taxes as a revenue source for education; nor have they dictated that the same amount of dollars must be spent on every pupil. In short, they have left with the state legislatures the responsibility to fashion new systems of school finance tnat will reuse and distribute public funds more equitably and more rationally.

In developing more rational and more equitable educational systems, decision-makers must confront a host of complex issues, which undoubtedly will affect both the pace and the nature of school finance reform in the United States. The most important of these issues would include the following:

- The tradition of local control of schools—the fear that equalization efforts will mean a greater assumption of financing responsibilities by the state and, hence, the undermining or even the destruction of local decision-making prerogatives.
- The relationship between added dollars and excellence; critics of fiscal neutrality contend that focusing on variations in school expenditures is meaningless since research has failed to show that money has any real effect on student achievement.
- The special problems of big city school districts because children from low income families with special needs live in cities that have a great deal of property tax wealth. Some state finance formulas to equalize property tax wealth among all localities will recirculate money from big cities to suburban and rural areas with more advantaged pupils.

Chapter IV

A DESCRIPTION OF FINANCIAL INSTRUMENTS IN FLORIDA

INTRODUCTION

Florida is a rapidly growing state in the southeast section of the United States. Its political culture is one of conservatism and traditional ways of education policymaking. It is a one party state, historically dominated at the state level by Democrats. However, in recent years a massive influx of migrants has tended to make the state more innovative in education policy and more balanced between the two major political parties.

Florida has a long history of a high level of state funding compared to the average U.S. state. Florida's state education expenditures have been around 60 per cent of total education costs for many years. The independence of education finance from general public finance is illustrated by Florida's local school districts. At the local level the school districts have had independent power to levy property taxes, with state limits on the total amounts. Schools are governed by an independent budget authority, the school board, that can establish salaries and many other expenditure items. City and county governments have not been able to veto expenditure levels or programmatic decisions by local school boards. Consequently, Florida, like the rest of the U.S., presents a pattern of an integration of education finance with public finance at the federal and state levels, and a segregation of education finance from general public finance at the local level. Florida has 67 school districts, with 12 large school districts containing almost 90 per cent of the pupils. The population is heavily focused in the south Florida sunbelt counties, which have about 80 000 or more pupils in each local district. The Florida education system is regarded nationally as an example of one type of " fully equitable system ". It was enacted by a progressive Democratic governor and legislature that gave top priority to education in 1972-73. The need for state financing was evident in Florida because of the large number of retired people who no longer wanted to pay local property taxes. Many of these retirees from the northern areas of the United States felt they had already paid property taxes in their home areas. Consequently, there was a need for the use of the general state sales tax and other state revenue sources to underwrite more equality and meet inflationary demands.

Florida is one of nine states in the United States without a general income tax. It derives the bulk of its state revenue from a sales tax (e.g., value added) on almost all items. This shifts a large tax burden to the various out of state tourists coming to seek the sun during the winter and spring months. The state has a low level of public services in such areas as mental health and highways, and has always given its top priority to education.

Like other states, the state of Florida sets up rules and regulations under which the local districts operate. However, there are no state inspectors who look for compliance with state regulations. Other than state adopted textbooks, the state does not control details of the curriculum. In effect, the state role has been one of dispersing funds and of passing regulations on such things as the maximum length of school day, minimum numbers of days children must attend, proper certification for teachers, etc. All of this has built up quite a " maze" of state regulations, as evidenced by a 1973 Citizens Committee study. The local districts then have been the primary providers of direct educational services.

FLORIDA REACTS TO THE NATIONAL REFORM MOVEMENT

The new program in Florida enacted in 1973 is a significant break from the previous one, which allocated state revenue according to a foundation plan based on a certain amount for each "instructional unit—e.g., 27 pupils with adjustments for teacher degrees and experience." Florida had the same equity problem as the Oregon example cited on page 62 —namely, high assessed value county school districts raised much more money with lower tax rates than their property poor neighboring areas. The transition to the new program with much greater equalization may well have been facilitated by the structure of districts in Florida, There are 67 county districts, and less inter-district variation in expenditures than in states with more numerous and less homogeneous districts. This suggests that the legislative battle for the new program may have been less heated than it would have been in a state with greater inter-district spending disparities.

By 1978 the Florida system requires that all local districts levy 8 mills. or $8.00 per hundred of assessed property value. Unlike the prior law, the system guarantees that each local tax dollar *raises the same amount anywhere in the state.* In effect, it is a statewide property tax where the $8.00 is levied across the state uniformly, and the local tax collectors act as agents for the state government. Since each locality can levy no more or less than $8.00, it gets the same "basic student cost" which is determined by the legislature each year. In the past, Florida districts could levy any property tax rate the local voters would approve and were not restricted to $8.00. Currently the basic student cost, raised by the $8.00, is $745 for each pupil. There is an expenditure control in this system because no district can levy more or less than the $8.00. Therefore, future increases in the basic or special amounts must come from the state government or inflation in statewide property values.

The basic formula is: Total number of full time students times $745, increased for the number of pupils needing special programs (e.g., weighted pupils) and modified by the cost of living for the county.

The Florida system is distinctive in the United States because of its elaborate system of pupil weighting. The weights are intended to compensate for cost differences attributable to such things as student age, special needs (compensatory or vocational education), and physical handicaps. For example, some of the weights are: 1.20 for kindergarten-third grade; 1.0 for grades 4-10; 1.10 for grades 11-12. The rationale was to spend more at the lower grades because these are the crucial grades for student achievement, and in the later grades because they have higher costs caused by special facilities for such things as vocational training.

The new Florida legislation contains a number of provisions for categorical aid, of which construction aid is perhaps the most important. Other categorical aids include transportation, community schools, educational leadership training programs, school lunch programs, textbooks, driver education, elementary school counselors, occupational and placement specialists, a safe schools program, and reimbursement

to local districts for tax losses resulting from additional homestead exemptions from the property tax.

Another interesting feature is use of cost-of-living factors. Provisional cost-of-living factors ranging from 0.91 to 1.09 were assigned in the bill, and the legislature retained the responsibility to adjust these factors according to annual cost studies. Once a per pupil amount is calculated by the number of pupils times the weights, the entire amount is adjusted up or down by cost-of-living. These factors tend to benefit urbanized areas where costs for housing and food are higher than in rural areas. The basic student cost is adjusted by a district's cost-of-living factor to arrive at its basic amount for the current operation.

Finally, an independent bill reorganizing the administration of the property tax should be mentioned, because of its potential importance for Florida's school finance system. The bill increases state control over assessment of real estate and encourages the use of computerized analysis and increased training for assessors, with the goal of eliminating uneven assessment practices. Given the charge that "tax revolts" may be due to inequities in property tax administration, such improvements may affect how much revenue is generated as well as the equity of tax burdens.

The new construction formula also uses all state money and eliminates local taxes. Essentially, the new formula is as follows:

1. projected (for five years) district-by-district capital outlay needs according to standardized statewide need criteria, minus;
2. current capital outlay inventory, equals;
3. net capital outlay needs (in square feet).

Funding for net needs is provided by:

1. dollar cost (adjusted for geographical differences in cost-of-construction) to meet net needs, minus;
2. dollars available from constitutionally earmarked funds, equals;
3. new capital outlay dollars earned under the new formula.

Now that we have completed a description of the basic system in Florida, we can analyze how well the system works with respect to the policy goals envisioned in the various finance instruments.

Chapter V

LINKAGE BETWEEN FINANCIAL MECHANISMS AND POLICY GOALS

A. EQUALITY

Florida's finance legislation contains this explicit equality goal:

> Guarantee to each student in the Florida public school system the availability of programs and services appropriate to his educational needs, which are substantially equal to those available to any similar student, notwithstanding geographic differences and varying local economic factors.

Given this definition of equality the system succeeds quite well. The two tables below demonstrate the impact after the first year of school finance reform. Note the districts with the higher local assessed property values (column 3, Table 6) do not necessarily have the highest total revenues (column 16, Table 7). Indeed, the total revenues are closely grouped around the $800-$900 level. The cost-of-living adjustment analyzed below helps Miami. The tax burdens as a percent of median family income are also not inequitable. The local property tax (column 6) was mandated by the state in 1975-76 to be a maximum of 8 mills. This required somewhat more state aid from the state sales tax and required wealthy counties like Glade to increase their property tax. Column 14 demonstrates the equalization effect of the state formula.

Florida operates a statewide assessment of pupil achievement. There has been no analysis of equality of pupil outcomes before and after the finance reform. Indeed, that entire issue is obscured by the complex technical issue of whether "additional dollars make a difference." The issue is still unsettled and beyond the state of the art to answer conclusively one way or the other. Each side has assembled data in ways that support its own values and self-interest[12].

B. TREATMENT OF SPECIAL POPULATIONS

Exceptional student programs

Florida provides eight programs for full-time special students and seven programs for students who need special services for less than half their time in school. The part-time students are funded from substantially higher weights because such

12. See Benjamin Rosner, *The Power of Competency-Based Teacher Education* (Boston: Allyn and Bacon, 1972); especially critiques of concepts on pp. 211-276.

Table 6. **District characteristics: Florida**

District name[a]	Number of pupils FTE FY 1974	Title I assistance per pupil FY 1973[b]	Adjusted assessed valuation per pupil (FY 1972)	Median family income (1970)[c]	Actual[e] operating mill levy before reform (1972-73)	Actual operating mill levy after reform (1973-74)	% change	School tax burden before (%)[d]	School tax burden after (%)
	1	2	3	4	5	6	7	8	9
Broward (Ft. Lauderdale) (S)	135 621	12	59 081	9 539	10	10	—	5.6	4.7
Dade (Miami) (C)	253 175	16	55 756	9 245	10	10	—	5.0	5.3
Dixie (R)	1 680	33	22 677	5 666	10	10	—	3.2	3.3
Duval (Jacksonville) (C)	110 242	22	28 694	8 671	10	10	—	2.9	2.9
Glades (R)	987	37	104 489	n.a.	8.02	7.02	(12.47)	n.a.	n.a.
Hillsborough (Tampa-St. Petersburg) (C)	113 783	19	107 394	8 162	10	10	—	3.7	3.0
Holmes (R)	3 270	67	14 040	n.a.	9	10	11.11	n.a.	n.a.
Orange (Orlando) (C)	84 975	13	35 934	8 880	10	10	—	3.2	3.6
Palm Beach (C)	70 721	19	69 077	9 112	9.75	9.75	—	6.3	6.5
Sarasota (I)	22 664	10	60 417	7 739	10	10	—	6.4	5.8
Mean	—	25	55 756	8 377	9.4	9.7	—	4.5	4.4
Maximum/minimum ratio	—	6.7/1	7.6/1	1.7/1	1.2/1	1.4/1	—	2.2/1	2.2/1

a) (C) Central City; (I) Independent City; (S) Suburban; (R) Rural. A "Central City" district is defined as being the key district within a standard metropolitan statistical area (SMSA) with a total population greater than 250 000. A "suburban" district is located within a "Central City" SMSA. "Independent City" districts are those which have populations between 10 000 and 250 000, and are located beyond built-up Central City areas. Finally, "Rural" districts are those districts not located in SMSAs which contain no communities with populations as large as 10 000.

b) This column represents the district's total Title I assistance divided by the district's total number of pupils.

c) This column is a school district (not a community) figure derived from 1970 Census data.

d) School Tax Burden is expressed by the district's local dollar contribution as a percentage of median family income.

e) These are actual, *not* equalized millages. The new Florida legislation calls for equalized assessments at 100 per cent of market value, however, some caution should still be exercised in making interdistrict comparisons.

Table 7. District revenues: Florida

District Name	Local revenue per pupil (1972-73)	Local revenue per pupil (1973-74)	Local % Change	State aid per pupil (1972-73)[a]	State aid per pupil (1973-74)[a]	State % Change	Total local and State revenues per pupil (1972-73)[b]	Total local and State revenues per pupil (1973-74)[b]	Total % Change
	10	11	12	13	14	15	16	17	18
Broward (Ft. Lauderdale) (S)	532	451	(15.3)	390	483	23.8	922	934	1.2
Dade (Miami) (C)	466	486	4.2	414	472	13.9	881	958	8.8
Dixie (R)	182	188	3.4	562	595	6.0	744	783	5.3
Duval (Jacksonville) (C)	253	249	(1.8)	536	608	13.3	790	857	8.5
Glades (R)	526	697	31.6	334	115	(65.6)	860	807	(6.2)
Hillsborough (Tampa-St. Petersburg) (C)	300	245	(18.4)	532	583	9.5	833	828	(0.6)
Holmes (R)	99	98	(0.7)	614	636	3.7	712	734	3.1
Orange (Orlando) (C)	284	324	14.0	497	530	6.5	781	854	9.2
Palm Beach (S)	572	596	4.1	361	392	8.5	933	987	5.8
Sarasota (I)	498	445	(10.6)	417	456	9.5	914	901	(1.5)
Mean	371	378	—	466	487	—	837	864	—
Maximum/minimum ratio	5.8/1	7.1/1	—	1.8/1	5.5/1	—	1.3/1	1.3/1	—

a) State Aid excludes categorical aid.
b) Total of local and state revenue columns. This figure does not include federal aid.
Note on Sources: Title I assistance data was obtained from the U.S. Office of Education and Median Family incomes were supplied by the Syracuse University Research Corporation. All other data was taken or calculated from statistics supplied by the Florida Senate Education Committee and the Office of the Governor.

programs are normally established as tutoring or small group sessions. The definitions of the special programs, the identification of children, and the curriculum are in each case established by local school board policy in accordance with guidelines adopted by the State Board of Education.

Vocational technical programs

Florida high schools and Vo-Tech centers provide job skill training through nearly 200 specific courses. In order to encourage the offering of a wide range of courses, six differently weighted groupings exist. The higher weights are for programs that require expensive equipment such as auto mechanics. Florida has rapidly expanded its "voc-ed" programs in recent years and it is anticipated that in the public schools 15 per cent of all operating expenditures for the 1975-76 fiscal year will support this type of education (see Table 8 for program categories).

Adult general and community service

Only about one and a half per cent of the formula funds support these programs, yet many high school and high school equivalency degrees are earned annually by adults who dropped out of high school.

Calculating the district's earnings

The total of the instructional time, as determined by membership counts four times yearly, can range up to 25 hours weekly for all students, and is converted to full-time equivalent membership by the program categories shown in Table 8 and then is multiplied by the cost factor weights. The product is the weighted full-time equivalent student count, which is then multiplied by the annually set base student value ($745). That amount is adjusted by a cost-of-living differential factor for each district. The amount varies each year, based on a "market basket" survey conducted to determine the relative cost of purchasing equivalent goods and services in different regions of the state, but for the most part results in an adjustment of up to 10 per cent above or below the original entitlement. The downward adjustments have caused considerable controversy both because of the psychological impact and because of non-acceptance of the survey findings. In retrospect it may have been better to set the base student value lower and provide up to 20 per cent increases to the high cost-of-living districts. Other adjustments are authorized but not yet funded for compensatory education and for pupil sparsity.

From this subtotal is subtracted the required local school tax effort of $8.00 per $100 of assessed value. Approximately one-third of the value of the total program statewide is supported by local property taxes in the form of a state required levy. Florida is a highly equalized state, and poor districts pay only about 10 per cent of their program, while the richest district pays nearly 90 per cent of its entitlement.

C. LOCUS OF CONTROL—STATE/LOCAL BALANCE

Florida's public officials were cognizant of the threat to local flexibility from full state responsibility for education finance. The legislature was not impressed by the ability of the State Education Department to direct local activities. On the other hand, the legislature wanted some assurance that finance objectives would be implemented for the intended children. The law mandated a new system for the United States—school site budgeting and accounting. Prior to 1972 budget figures were aggregated at the district level. An LEA (local education agency or local school district) could merge its reports to the state for fiscal allocations for 100 or more

schools. Consequently, there was no way the legislature could find out whether special state funds (weights) would reach handicapped or vocational students at specific schools with high concentrations of such students. The statute required a detailed budget for each school demonstrating the link between special state funds and specific school based programs for special populations and other purposes. Consequently, the elaborate state formula dose not merely redistribute money among LEAs, but can trace it to the school site and pupils (see Table 8).

While Florida enhanced state fiscal accountability, it tried to eliminate much traditional state regulation. For example, the statewide teacher salary schedule was repealed and left to local option. Other state regulations requiring pupil/teacher ratios and certain types of instructional programs also were eliminated. The basic notion was state guaranteed equality of funding with local flexibility for program design.

D. INTEGRATION WITH OTHER SOCIAL SERVICES

Florida's schools have no integration with other social services that is different from the normal U.S. pattern. Schools provide federally supported free lunches for the poor and a full range of athletic programs for both sexes. Schools also provide numerous after school extracurricular activities, such as debating, dramatics, and student newspapers.

Table 8. Florida education finance program

	Cost factor weights
Basic programs	
Kindergarten and grades 1, 2, and 3	1.234
Grades 4, 5, 6, 7, 8 and 9	1.00
Grades 10, 11, and 12	1.10
Special programs for exceptional students	
Educable mentally retarded	2.30
Trainable mentally retarded	3.00
Physically handicapped	3.50
Physical and occupational therapy, part-time	6.00
Speech and hearing therapy, part-time	10.00
Deaf	4.00
Visually handicapped, part-time	10.00
Visually handicapped	3.50
Emotionally disturbed, part time	7.50
Emotionally disturbed	3.70
Socially maladjusted	2.30
Specific learning diability, part-time	7.50
Specific learning disability	2.30
Gifted, part-time	3.00
Hospital and homebound, part-time	15.00
Vocational-technical programs	
Vocational education I	4.26
Vocational education II	2.64
Vocational education III	2.18
Vocational education IV	1.69
Vocational education V	1.40
Vocational education VI	1.17
Adult education programs	
Adult basic education and adult high school	1.28
Community service	0.675

E. ACCESS, SELECTION, AND CERTIFICATION

Florida has the typical U.S. compulsory education requirement for ages 5-16. The state certifies teachers based on completion of approved college programs and courses. College programs stress courses and practice teaching. There is no direct linkage between teacher training and pupil performance on tests. Florida's state pupil assessment contains uniform criterion and norm referenced tests. Like California each school and school district is given a predicted achievement score based on the socio-economic factors of parents and pupils attending the specific school. Presumably, the school board and state mandated parent advisory councils will view these achievement statistics and raise questions with their professional staff.

Florida, like other states, has experimented with "competency based teacher education." This has not been linked to the statewide assessment discussed above. The basic idea is that completion of college courses does not reveal what competencies or skills a prospective teacher has. Competency can be assessed by such devices as observation in the classroom, demonstrations before peers, and pupil attainment on tests. There is an extensive literature on this subject, but it is still undergoing development[12]. There are two basic problems—technical and political. On the technical side, we simply do not know what specific competencies are needed for effective teaching. As Barro points out:

> Appropriate teacher behavior may be highly contingent on the circumstances, e.g., characteristics of the child, school setting, the subject matter, and the personality and background of the teacher herself... Finally, it still must be shown that effective classroom behaviors can be taught[13].

The political problem centers on who should specify and judge the competencies. Teacher unions, university professors, state department executives, students, and parents all want to be the controlling faction.

F. PUBLIC/PRIVATE

Unlike California policy, Florida provides no support for Catholic schools or other private schools. All funding is directed to public institutions and none is provided directly to students. There are very few Catholic students in Florida and their parents have been unable to mount an effective state lobbying effort.

G. SOCIALIZATION

Federal courts have required desegregation of the public schools but this is not tied to any funding source. The Florida state government adopts textbooks from lists of nationwide publishers. The socialization contained in these books is no different from that for any other state. Socialization is tied to financial instruments to the extent that any part of the formal education process involves money[14]. But there are no finance instruments directly oriented to socialization. The indirect effects are pervasive, but would necessitate an analysis of the many components of socialization rather than financial aspects.

13. *ibid.*, p. 251.
14. For a discussion of this see Frederick Wirt and Michael Kirst, *The Political and Social Foundations of Education* (Berkeley: McCutchan), particularly Chapters 2-10.

H. INNOVATION

The Florida finance system uses a different approach than federal or state categorical programs. The pupil weighting system contains few state program requirements other than fiscal auditing. The money is not "experimental" and does not phase out like so many federal demonstrations. In effect, as long as the local need exists for the program the state will provide the money.

The 1973 Florida Legislature encouraged experiments that provided lump sum budget flexibility for each school principal. Prior to 1973 most Florida schools operated under standard personnel and program formulas that were established by the central school district. School principals could not "trade off" less teachers to purchase more instructional materials. Consequently, they could not make adjustments for particular local conditions in districts over 100 000 pupils, such as Dade or Hillsborough Counties. These large districts (based on county lines) include cities, suburbs, and rural areas.

The 1973 state encouragement of school site management was through a new school budget format outlined above and a special inservice training program for school principals. Participation in the latter was volontary, but some LEAs have enthusiastically responded. One school district placed its central office support personnel (e.g., media and curriculum specialists) on a voucher concept. Individual schools had to request their services and pay for it with vouchers. If schools did not request enough of these central support services, the central office jobs were phased out.

Chapter VI

SUCCESS IN MEETING POLICY GOALS

A. EQUALITY

On an input basis the Florida system provides a very high degree of equality on the accepted American standards. The impact of differences in local property tax wealth upon school spending per pupil has been eliminated. Moreover, as Table 6 indicated, the relationship between school spending, tax rates, and family income is also in a progressive direction.

B. TREATMENT OF SPECIAL POPULATIONS

Given the existing technology, Florida's system meets its policy goal for special fiscal adjustments for special populations. Educational research has provided no satisfactory way of deciding the precise additional amount needed for disadvantaged or handicapped children. Consequently, Florida's pupil weights contain a large amount of circular reasoning. Surveys are made of current expenditure allocations of school districts for such categories as "emotionally disturbed children." These local expenditures are then averaged and the state formula is merely that average. Obviously, this assumes current practice is the most cost effective and educationally sound procedure.

Florida's cost of living adjustment is based on "The average market basket of a family of four." This is not a measure of education costs and may not even be closely correlated to education input factor prices. Current U.S. research projects are attempting to separate the demand from the supply cost differences. Presumably, we would want to adjust for the latter and not the former (e.g., local school boards who demanded teachers with doctorates).

C. LOCUS OF CONTROL

A recent report by the Florida SEA indicates the school site accounting system has been partially implemented. The state mandated parent advisory committees are operating in about 40 per cent of the school sites. The Florida Legislature has continued to support required performance reporting at the school site level, in part prepared by the parent advisory council. In sum, there is only so much that can be done at the state level to provide more control at the school site and less at the central district level. Change of this type cannot be imposed top-down upon unwilling or reluctant teachers, administrators, and central school board members. The state

has provided better information on pupil costs and achievement to parents and newspapers. It has encouraged and cajoled central administrators to decentralize the decision making. But recent U.S. studies of implementation stress any attempted change in locus of control must have the support of local educators, or else they can sabotage it. Consequently, the school site concept has been implemented in a very uneven fashion, depending on local motives and local adaptations.

It appears Florida's full state assumption finance system has not been a prime force in further state centralization. Prior to 1973 the Governor and legislature had been promoting more state centralization through regulations based on their low opinion of the effectiveness of local educators.

D. INTEGRATION WITH OTHER SERVICES

The new finance system has no particular effect on this objective. The state assumed a clearer responsibility for handicapped children. Federal free lunch/breakfast programs for low income children have expanded, relieving the state of much responsibility. Extensive athletic activities are subsidized through state and local school budgets as an expected cost of public education. Florida schools have not been active in social welfare except through earmarked subsidies from the federal government.

E. ACCESS, SELECTION, CERTIFICATION

Florida is still refining its approaches to Competency Based Teacher Education but progress is slight, given the technical and political deficiencies mentioned earlier.

Florida's statewide assessment has provided a great deal of specific pupil and school performance data to school site advisory councils and parents. But so far these lay groups have not used the information to apply pressure for better performance. The assessment has caused some discussion but little organized political activity by an informed citizenry. Some teachers and school administrators regard it as expensive paper work. In short, we are still searching for methods to translate performance/fiscal reporting into citizen activity on school policy.

F. PUBLIC/PRIVATE

No policy objectives have been attempted.

G. SOCIALIZATION

This is too diffuse an issue to relate to U.S.A. education financial instruments. We need more specific information on textbook impact on children's socialization. The system of U.S. state finance assumes there is a strong relationship.

H. INNOVATION

This topic is discussed under the national government case because of problems with innovations in a three level federal system. This is the best focus for demonstrating the general concepts.

Chapter VII

PROPOSED CHANGES IN FLORIDA FINANCING SYSTEM

Florida's system is generally acknowledged as a national model. There is no political force that is agitating for fundamental change in the major fiscal components. The locus of control issue continues to be an uneasy balance of power among the state and local levels. No significant changes seem likely in the near future.

Chapter VIII

HISTORICAL PERSPECTIVE OF CALIFORNIA EDUCATION FINANCE

Politically one of the most progressive states with regard to education legislation, California is divided culturally into a northern and southern region. The state has progressive income tax that is the major source of revenue for the general state budget. There are 1 067 local school districts, ranging from 626 000 pupils in Los Angeles to districts with one primary school. The state has a long history of education finance legislation and a concern for equality of educational opportinity, dating back to at least 1849.

The 1849 Constitution provided that the common schools of the state should be supported from:

1. the proceeds of the sale or use of federal land grant;
2. the estates of persons who died without a will or heir; and
3. from such other means as the Legislature might provide[15].

Once it became clear that only a very limited income would accrue to the state school fund from the sale or lease of the school lands, other means of raising revenues were instituted. By 1852, there were state, county and district school taxes and in 1874 a new method of apportioning funds to districts was introduced. The state's total share was computed on the basis of $7 per child in the state (census child).

Other changes that occurred before 1920 included:

1. state support for high schools, begun in 1903;
2. the change from the use of the number of children in the state to the number of pupils attending school (ADA) as the apportionment unit; and
3. the abolishment of the state property tax, both in 1911.

Then in 1920, the people of California voted the Constitutional Amendment XVI which placed school support on a strong financial basis. Instead of the $7 per census child previously provided, beginning in 1921-22 the state apportioned an amount not less than $30 per ADA and not less than the estimated amount to be received by the county from the state. In addition, local districts supplemented state and county support by levying a local property tax.

In 1944, the passage of Proposition 9 introduced a major change in the method of apportionment of the state school funds. The principle of equalization based upon local assessed property valuations was introduced to the elementary school apportionment for the first time. It has remained as the basic concept since then and is a classic example of the inequality issue in the United States.

15. California Association of School Administrators, "Financial Support of the Public Schools in California" (Research in School Administration. Pasadena, California: California Association of School Administrators, 1959), p. 18.

Chapter IX

A DESCRIPTION OF FINANCIAL INSTRUMENTS IN CALIFORNIA

THE FOUNDATION PROGRAM

A foundation program is based on the idea that there is some minimum acceptable level of education guaranteed by state government that should be provided to all students, regardless of their financial circumstances. Expenditures above the foundation would be through local referendums to use property taxes. The State Department of Education calculates the cost of providing this "foundation level" ($888 per pupil in 1975-76) taking into consideration factors of district size and efficiency of school district organization. Two types of state aid payments are distributed according to law: *basic aid* and *equalization aid.*

The state must provide each local school district a flat amount of $125 per ADA, called "basic aid." Equalization aid, however, is related to another concept that must be explained first: the local district's contribution to the foundation level.

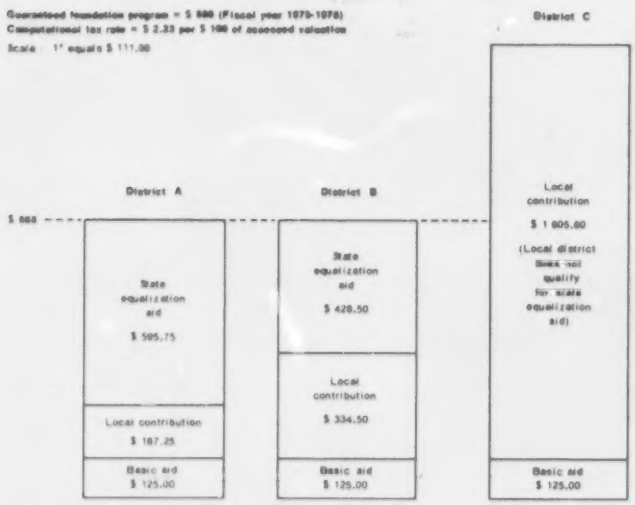
Each local district is required to contribute a part of its local property tax rate to the support of the foundation program. The amount contributed depends upon the amount of assessed property valuation per ADA in a district. A minimum statutory "computational property tax rate" (currently set at $2.23 and $1.64 for elementary and high school districts, respectively) is applied to the assessed valuation. The product is the local share of the foundation program amount. If the amount raised on the district's assessed valuation by the computational property tax rate equals or exceeds the foundation program $888), they will only receive $125 basic aid from the state, in addition to any categorical aids (e.g., aid for handicapped children) for which they qualify. However, if the local contribution is less than the foundation floor, the state provides the difference between the foundation level and the district share, termed equalization aid (see Table 9).

INEQUITY CAUSED BY THE FOUNDATION SYSTEM

In Table 9 we see that the California state government equalizes the revenue raising capacity and tax burden up to the foundation level of $888. But District C levies the same local property tax of $2.23 per $100 of assessed value and it yields $1 605.60 in expenditures. This is because District C happens to have an assessed value of $72 000 for every pupil. Often this is caused by a large industry within the borders of a local school district. Consequently, the number of teachers, books, facilities, and so on, will be much greater in District C at the same property tax rate.

Studies by the California State Education Department indicate that the foundation level of $888 is *not* sufficient to provide a quality program. Consequently,

Table 9. Elementary level foundation program



	District A	District B	District C
Assessed Valuation	$ 7 500 000	$ 15 000 000	$ 72 000 000
ADA	1 000	1 000	1 000
Assessed Valuation per ADA	$ 7 500 000/ 1000 = $ 7 500	$ 15 000 000/ 1000 = $ 15 000	$ 72 000 000/ 1000 = $ 72 000
Local Contribution	$ $\frac{7\,500}{100}$ x $ 2.23 = $ 167.25	$ $\frac{15\,000}{100}$ x $ 2.23 = $ 334.50	$ $\frac{72\,000}{100}$ x $ 2.23 = $ 1 605.60
Basic Aid	$ 125.00	$ 125.00	$ 125.00
State Equalization Aid	$ 888 - ($ 167.25 + $ 125.00) = $ 595.75	$ 888 - ($ 334.50 + $ 125.00) = $ 428.50	0

voters in Districts A and B will be asked by their local school authorities to increase their property tax in excess of $2.23 to reach the quality level of $1 100. If local voters approve his request, Districts A and B will have a higher tax rate than District C but still spend considerably less for each pupil. This is the outcome the State Supreme Court ruled violated the equal protection clause of the State Constitution (called the *Serrano* suit).

EXPENDITURE LIMITS AS A METHOD TO CONTROL GROWTH AND PROMOTE EQUITY

The critical change in school finance made in 1972 was the expenditure control mechanism placed upon school districts. Prior to 1972, program expenditures were a function of district tax rates and changes in assessed valuation. If property values increased local school expenditures rose accordingly. Under this system the tax rate was fixed and per pupil expenditures (revenues) fluctuated with changes in assessed valuation. Increases in property values have been about 12 per cent per year on a statewide average, so per pupil expenditures increased 12 per cent a year. SB 90 (Senate Bill 90, passed in 1972) changed this relationship by fixing the per pupil expenditures and freeing the tax rate to fluctuate with changes in assessed valuation

and ADA[16]. In other words, it imposed a per pupil expenditure limit of 6 per cent. It placed a ceiling on the amount of money a school district could raise and spend per pupil, regardless of increases in local property values.

In order to facilitate equalization, districts whose expenditure limits are below the foundation program are permitted to increase their limits by a greater rate than the foundation program increase (up to 15 per cent per year) until they reach the foundation program level. Districts with expenditure limits at the foundation program level are permitted expenditure growth annually that is equal to the annual increase in the foundation program (about 6 per cent annually). Districts spending above the foundation program are restricted to a slower growth rate than those spending at or below the foundation program level. For example, a district whose prior year expenditure limit was $1,776, twice the foundation program level of $888, would be permitted growth equal to one-half the 6 per cent inflation factor or 3 per cent per year. A simplified version of the expenditure limit formula is given here:

$$\frac{\text{Foundation (prior year): } \$888}{\text{Per pupil expenditure (prior year): } \$1{,}776} \times \text{Inflation adjustment amount: 6 per cent} = \text{Expenditure limit: 3 per cent increase per year}$$

There were essentially two major objectives of SB 90. The first was to provide property tax relief to local districts by shifting a portion of local property tax costs for public schools to the state through the mechanism of district expenditure limits. "In effect, property tax rates were rolled back by providing school districts with a larger increase in state apportionments than districts could absorb under their expenditure limits. This forces a reduction in district property tax rates equivalent to the excess state funds[17]". Secondly, and more importantly, SB 90 expenditure controls regulated the growth of school district expenditures, allowing low-wealth, low-spending districts to increase their expenditures at a much faster annual rate than high-wealth, high-spending districts. "Over a period of years this was to move all districts towards nearly equal expenditures per students"[18].

HOW THE FUNDS ARE USED

The California Education Code regulates the use of schools' income through budget restrictions, program requirements, and teacher tenure laws. The major portion of a school budget is the general fund or operating budget, and current expense of education is the largest section of the general fund. Included in the current expense category are: salaries and benefits for administrators, principals, teachers, teacher aides, and classified personnel; books, supplies and equipment replacement; contracted services and operating expenses; and transportation costs, including salaries, which are partially subsidized by the state (between 50 and 90 per cent of cost) depending on the assessed valuation wealth of the district. It is important to note that the California Education Code requires that the salaries of all teachers and aides plus specific benefits (health and welfare only) must be at least 60 per cent of the current expense of education for elementary districts. Other expenses include: the cost of using school property for public purposes, providing meals for needy students, capital outlay, and the repayment of a state building loan.

Laws concerning teacher tenure also affect school expenditures since teachers must be laid off according to seniority.

Program requirements will be discussed in the policy section on Locus of Control.

16. Education Systems Staff of the State Department of Finance, "California School Finance and the Serrano-Priest Issue" (Sacramento, California: State Department of Finance, May, 1975), p. 22.
17. *ibid.*, p. 23.
18. *ibid.*

Chapter X

RELATIONSHIP BETWEEN FINANCE MECHANISMS AND POLICY GOALS

A. EQUALITY

Equality or the equalization of educational opportunity and school support has been one of the major concerns of education finance policy makers for many years. Districts with higher assessed valuations per pupil had higher expenditures per pupil (see Tables 10 and 11). Note districts with higher assessed valuations (Table 10, col. 3), like San Francisco and Line Pine vs. lower assessed valuation districts like Covina Valley and Fresno, and their respective expenditures per pupil, Table 11, col. 1 and 7.

SB 90 attempted to equalize expenditures by imposing a per pupil expenditure limit on all districts. As discussed previously, these expenditure controls allowed low-wealth, low spending districts to increase their revenues at a much faster rate than high-wealth, high-spending districts, thus moving all districts towards nearly equal expenditures per student over a period of years. In addition, the limits provided property tax relief to local districts by shifting a portion of local property tax costs for public schools to the state. Again, this can be seen by referring to Table 11. Note that the ceilings on local expenditures per pupil, col. 2, resulted in a decrease in local expenditures in our low-wealth districts, but a much higher increase in their total local and state revenues per pupil, col. 8 and 9. The higher wealth districts had only small, if any, increases in both their local expenditures per pupil, col. 2, and their total local and state expenditures per pupil, col. 8 and 9.

B. TREATMENT OF SPECIAL POPULATIONS

In addition to helping to guarantee the foundation program to each child in the state, the Legislature has picked out a number of school functions for special treatment. Some of these functions are intended to serve students with special problems, such as the physically or mentally handicapped and the economically disadvantaged[19], or to focus on specific educational problems, such as poor reading scores. All appropriations provided are for 1973-74 unless otherwise stated.

19. Aaron S. Gurwitz, "The California School Finance System: A Description" (Stanford, California: Stanford University School of Education, 1975), pp. 27-28.

Table 10. District characteristics: California

District name	Number of pupils ADA FY 1973	Title 1 assistance per pupil (1973)[b]	Actual[e] assessed valuation per pupil (1973)	Median family income (1970)[c]	Actual[f] operating millage before reform (1972-73)	Projected[g] operating millage after reform (1973-74)	% change	School tax burden before (%)[d]	School tax burden after (%)
	1	2	3	4	5	6	7	8	9
Los Angeles (C)	658 391	45	15 280	10 336	40.3	40.3	.07	6.0	6.4
Glendale (S)	23 413	18	18 139	11 850	38.1	40.1	5.11	5.8	6.4
Covina Valley (S)	17 780	16	8 715	12 284	47.5	36.7	(22.75)	3.4	2.7
San Francisco (C)	76 359	69	34 770	10 503	37.9	37.9	—	12.5	12.5
San Diego (C)	130 120	24	14 820	10 220	41.9	39.6	(5.35)	6.1	6.4
San Jose (C)	37 706	24	15 059	10 916	55.0	52.7	(4.29)	7.6	7.9
Palo Alto (S)	14 179	8	26 511	15 171	58.7	56.6	3.49	10.5	10.7
Riverside (S)	25 651	22	13 360	10 809	42.7	40.2	(5.82)	5.3	5.4
Sacramento (C)	52 171	43	11 916	10 366	46.5	40.6	(12.7)	5.3	4.9
Fresno (C)	56 873	12	9 860	9 263	50.9	39.9	(21.6)	5.4	4.5
Del Norte (R)	3 781	27	18 534	n.a.	37.4	37.7	0.9	n.a.	n.a.
Lone Pine (R)	229	n.a.	40 600	n.a.	38.1	36.0	(5.6)	n.a.	n.a.
Modoc (R)	1 127	25	24 705	n.a.	32.4	31.7	(2.3)	n.a.	n.a.
Willows (R)	1 676	n.a.	20 568	n.a.	30.0	34.6	8.4	n.a.	n.a.
Mean	—	28	19 488	11 172	42.7	40.3	—	6.8	6.9
Maximum/minimum ratio	—	8.6/1	4.7/1	1.6/1	1.9/1	1.8/1	—	3.7/1	4.6/1

a) (C) Central City; (I) Independent City; (S) Suburban; (R) Rural. A "Central City" district is defined as being the key district within a standard metropolitan statistical area (SMSA) with a total population greater than 250 000. A "suburban" district is located within a "Central City" SMSA. "Independent City" districts are those which have populations between 10 000 and 250 000 and are located beyond built-up Central City areas. Finally, "Rural" districts are those districts not located in SMSAs which contain no communities with populations as large as 10 000.

b) This column represents the district's total Title I assistance divided by the districts total number of pupils.

c) This column is a school district (not a community) figure derived from 1970 Census data.

d) School Tax Burden is expressed by the district's local dollar contribution as a percentage of median family income.

e) This column represents actual, *not* equalized or adjusted valuations.

f) Note that these are *actual*, not equalized millages. Some caution should be exercised in making comparisons between districts.

g) Note that these are *projected* millages. They represent the millage which would be required to raise the local share of the "Authorized income" (or maximum expenditure) under the new California plan. These figures *do not* reflect voter approved additions which are allowed under the new legislation, without further knowledge of the frequency and degree of voter approved tax increases it is impossible to predict how close these projections are to actual tax rates for 1973-74.

Table 11. **District expenditures: California**

District name	Actual local expenditures per pupil (1972-73)	Ceiling local expenditures per pupil (1973-74)	Local % change	State aid per pupil (1972-73)	State aid per pupil (1973-74)	State % change	Total local and state expenditures per pupil (1972-73)	Total local and state expenditures per pupil (1973-74)	Total % change
	1	2	3	4	5	6	7	8	9
Los Angeles (C)	616	664	7.8	185	227	22.7	801	871	8.7
Glendale (S)	692	760	9.8	143	145	1.4	835	905	8.4
Covina Valley (S)	414	334	(19.3)	319	508	59.2	733	842	14.9
San Francisco (C)	1 317	1 317	—	125	125	—	1 442	1 442	—
San Diego (C)	620	653	5.3	187	224	19.8	807	877	8.7
San Jose (C)	830	863	4.0	186	220	18.3	1 016	1 083	6.6
Palo Alto (S)	1 590	1 629	2.5	125	125	—	1 715	1 754	2.3
Riverside (S)	577	584	1.2	221	284	28.5	798	868	8.8
Sacramento (C)	554	507	(8.5)	247	364	47.4	801	871	8.7
Fresno (C)	503	415	(17.5)	279	437	56.6	782	852	9.0
Del Norte (R)	692	776	12.1	139	125	(10.1)	831	901	8.4
Lone Pine (R)	1 027	1 086	5.7	125	125	—	1 152	1 211	5.1
Modoc (R)	800	870	8.8	125	125	—	925	995	7.6
Willows (R)	682	752	10.3	125	125	—	807	877	8.7
Mean	780	800	—	181	226	—	960	1 025	—
Maximum/minimum ratio	3.8/1	4.9/1	—	2.6/1	4.1/1	—	2.3/1	2.1/1	—

a) This figure represents the actual 1972-73 local property tax revenue.

b) This column represents the maximum local revenue allowed in 1973-74. This amount is derived by subtracting state aid per pupil for 1973-74 from the district's ceiling total revenue per pupil as calculated under the new budget limitation provisions. Note, therefore, that this amount does not reflect voter approved overrides of the ceiling and is *not* an actual representation. Without further knowledge of the frequency and extent of voter approved overrides it is impossible to determine how closely the figures given here approximate actual revenues.

c) Basic Aid, Equalization Aid and Supplementary Support per ADA. This figure excludes categorized aid.

d) Sum of the local and state revenue columns. This figure does not include federal funds. Note that 1973-74 total revenues is *not* an actual amount, but rather, it is the ceiling revenue allowed under the new formula. The same caution regarding voter overrides (see footnote 2) applies to the 1973-74 amount.

Note on Sources: Title I assistance data was obtained from the U.S. Office of Education and Median Family Incomes were supplied by the Syracuse University Research Corporation. All other data was taken or calculated from the computer run "School District Impact of SB90 and AB 1267 - January 24, 1974" supplied by the California Assembly Education Committee.

Early Childhood Education Program ($25 million in state funds)

This special program is designed to reform education in grades K-3 throughout the State, by increasing the adult-child ratio in classrooms of that grade level. The allocation of state funds among districts is competitive, based on local ideas for how to improve educational attainment. Criteria for acceptable programs are established by the Superintendent of Public Instruction, and districts submit program plans which conform to these guidelines.

Bilingual-Bicultural Education Program (approximately $10 million in federal money and $4 million in state funds).

The federal program in this area is ESEA Title VII, and the state program is designed to supplement it. Funds are allocated among districts with high proportions of children from minority, cultural and linguistic groups (e.g., Spanish speaking) on a competitive basis, for the following purposes: to employ bilingual aides; for the purchase of special materials and equipment; to provide special in-service training; and to provide parental advisory groups.

Special Education Program ($183.7 million in state funds; and $2.5 million federal funds)

This program is designed to offer educational services to children with a variety of physical and mental handicaps. The method of distributing the funds allocated for special education by the Legislature is to define a maximum class size for each type of handicap at different age levels. These maxima are written into the law. For every maximum class size on each educational level, a dollar figure per adjusted ADA is written into the law. For example, some actual figures used are:

Handicap	Maximum class size (Ages 3-8)	×	Grants per ADA	=	Maximum allocation per class
Deaf	6		$2 520		$15 120
Blind	6		$2 520		$15 120
Severely mentally retarded	12		$1 085		$13 020

Note that the grants per ADA are based on the class size, not on the severity of the handicap.

Educationally Disadvantaged Youth Program (EDY) ($82 million in state funds)

The program is designed to provide additional assistance to certain multiproblem districts, especially urban districts, which were not specifically helped by other provisions of the new law. Three factors jointly determine a district's apportionment under these provisions: an index of potential impact of bilingual-bicultural pupils; an index of family poverty within the district; and an index of pupil transiency. Funds are to be used for special programs to meet the particular needs of children from low income families and those who are achieving at low levels on standardized tests. In several of these categorical programs the objectives are largely political—to target money to powerful state legislators' local districts. EDY did contain, however, several categorical provisions that restrict the money to schools within a district, e.g., those ranking highest in the three allocation factors outlined above.

Compensatory education Program ($136.1 million in federal funds)

The preceding state program for "Educationally Disadvantaged Youth" is designed to augment the federal program and to compensate for less than full funding by the Federal Congress. The target groups for these two programs are the same, i.e., the educationally disadvantaged. Funds are distributed in proportion to the number of pupils from low-income families and are designated for such purposes as: in-service training for teachers of economically disadvantaged youth; grants to districts for personnel to reduce the student/teacher ratio; and for remedial work in basic skills.

Textbooks ($24 million in state funds)

Each district with pupils in the K-8 range is entitled to select and purchase textbooks from a list approved at the state level. The total appropriated for the selection of textbooks by the state commission and their purchase by school districts is fixed by law at $7 per K-8 ADA in the state, plus an adjustment for inflation which is tied to the Bureau of Labour Statistics' Consumer Price Index.

Special Elementary School Reading Instruction Program (Miller-Unruh) ($18.4 million in 1972-73)

The basic purpose of this program is to improve reading scores. Most of the money is used for hiring reading specialists in the primary grades. The program is unique in that the funds are allocated in direct proportion to educational need as evidenced by test performance. All districts are entitled to one reading specialist for each 125 ADA. In districts in which 30 per cent or more of the first graders score below the first quartile on the state reading examination, funds for one additional specialist for each 300 ADA are provided. Additional specialists are provided at the discretion of the State Department of Education for districts where 40 per cent or more of the first graders score below the first quartile.

C. LOCUS OF CONTROL—STATE/LOCAL BALANCE

When one first thinks about the decision-making power concerning schools in California, there is an initial tendency to revert to the rhetoric of strong local control and autonomy within the system. However, it is not clear that greater local decision-making power is the desired goal in California. Given the inequalities that occurred in the system in the past, and which would, no doubt, continue to occur if left to the discretion of the local district, the primary goal of educational policy-makers is to equalize expenditures across the state, while providing local districts only with the authority to tax themselves and implement state policy.

For example, the program requirements set by the state are quite explicit. School boards may not cut expenses by shortening the school day or school year. In addition, the state mandates the number of days of school per year and the number of hours per day at every level. School boards may not decide to curtail programs arbitrarily. State law mandates programs, and in some instances, the time to be spent on a given program. Table 12 is a list of mandated and permissive programs in the state of California. The permissive programs are the only programs boards may curtail to cut expenses[20].

20. The South San Mateo County League of Women Voters, "Financing California's Schools" (Menlo Park, California: The South San Mateo County League of Women Voters, 1975), p. 12.

Table 12. **State mandated programs**

	SUBJECTS
English	Grades 1-8
Reading	Grades 1-8
Social studies	Grades 1-8
Math	Grades 1-8
P.E.	Grades 1-8 (Grades 7, 8: 100 minutes in 2 school weeks)
Health and safety	Grades 1-8
Fine arts	Grades 1-8
Foreign language	Grades 7-8
Science	Grades K-8
	TIME REQUIREMENTS FOR SCHOOL DAY
K	Minimum 180 minutes: maximum 240 minutes
1-3	Minimum 230 minutes
1-3 (double sessions)	Minimum 200 minutes
1-8	Minimum 240 minutes
	SPECIAL PROGRAMS
Physically handicapped minors	Grades K-8
Includes orthopedically handicapped, speech, deaf, blind, hard of hearing, partially sighted, dysphasic, aphasic	
Mentally handicapped	Grades K-8
Includes severely retarded and mildly retarded who are educable	
Multiple handicapped	Grades K-8 with no more than 6 pupils or less
	Permissive Code
Mentally gifted minors	Grades K-8
Educationally handicapped	Grades K-8*
(* Those other than the physically handicapped or mentally retarded, who by reason of marked learning or behavior problems or a combination of both cannot receive the reasonable benefits of ordinary educational facilities)	
Instructional music	Grades K-8
Specific language disability	Grades K-8

Under the present law the state has granted local citizens the right to tax themselves at any rate they wish to finance local schools. Given the recent dismal record of getting local expenditure limit increases approved by voters, even this semblance of local power and autonomy is largely ineffective.

Any examination of the current financing scheme, with expenditure limits, program requirements, teacher tenure laws, and the infrequency of local tax overrides, makes it quite clear that there is not a great deal of local autonomy and control in the California system. Even though the bulk of revenues to fund education comes from the local school district, "School districts are creations of the State government, and do not have any authority over citizens except as authorized by the State[21]".

As the educational financing system comes to rely increasingly on the state for larger amounts of money in the future, as a function of the workings of SB 90, it is probably not very realistic to assume that local autonomy and control will increase significantly, if at all.

21. Gurwitz, *op. cit.*, p. 3.

D. INTEGRATION WITH OTHER SOCIAL SERVICES

This is discussed in the Florida section.

E. ACCESS, SELECTION, AND CERTIFICATION

As in Florida, California has a compulsory education requirement until age 16. There has been a problem in trying to alleviate the high drop-out and transiency rates, and educational deficiences generally associated with minority populations in the state; as well as a problem in providing truly equal access to education for all segments of the school-age population. The reforms of SB 90 have dealt primarily with the equalization of educational inputs such as teachers. In addition, the categorical aids are also concerned with providing greater access for students from minority groups and or with certain educational handicaps, by recognizing the need for bilingual teachers, special in-service training, etc.

There is, however, no necessary relationship between equal educational inputs, access to these inputs, and educational outcomes. Students are assessed, using uniform criterion and norm-referenced tests, primarily for diagnostic purposes. Teachers are certified by the state based on approved college programs, which require the completion of courses and practice teaching. Tenure is based primarily on the number of years teaching in the system. There is not, therefore, any real accountability or consideration of teacher competency built into the educational system, or for that matter, any way of insuring that students leaving the system have learned anything.

Progression through the system by students is basically a function of time, not demonstrated competency. The compulsory education requirement, therefore, is really a compulsory attendance requirement. In recent years, this has led to increased parental demands for the demonstration of the learning of minimum educational skills before students can graduate from high school. Recently, proficiency tests for these skills have been used by some school districts as a part of their graduation requirements. In addition, a new state law passed in 1976 provides students with the opportunity to finish high school early (without completing the senior year) by passing a competency based, state-wide examination in practical skills, such as balancing a checkbook and reading newspaper articles. They can then enter the job market or go on to college with the equivalent of a high school diploma. Since state aid is related to the number of local pupils, early graduation could have a negative impact on the total money available for local schools. Consequently, some local school districts have not fully implemented the early graduation test.

F. PUBLIC/PRIVATE

California provides textbooks to private schools on the same basis as public schools. The state also supports some bus transportation services for private schools. These are areas ruled Constitutional by the U.S. Supreme Court. The Constitutional requirement for separation of church and state has precluded more general types of school support. Federal programs administrated by the state provide special remedial services to disadvantaged (low-income) pupils in Catholic schools. The teachers must be public school employees who are assigned part-time to private schools for special programs.

G. SOCIALIZATION

As was the case in Florida and the rest of the U.S., socialization is only related to the financing question to the extent that textbooks, which are selected from a state board adopted list and which are financed by categorical aids at $7 per ADA (as described under the section on categorical aids), socialize individuals. California does require ethnic and sex balance in all its state adopted textbooks. A special committee of the State Board reviews each book for such balance.

There are no finance instruments directly oriented to socialization.

H. INNOVATION

California has attempted numerous categorical programs aimed at changing curriculum or classroom techniques. Many of these efforts are aimed at special populations such as Mexican-American or disadvantaged children. Others attempt to reform the entire learning process such as Early Childhood Education. Rather than analyze the successes and short-comings of these efforts for each program, the last section provides an overall view for these various federal and state change-oriented programs.

Chapter XI

SUCCESS IN MEETING POLICY GOALS

A. EQUALITY

Despite the reforms of SB 90, California's school finance system is still considered to be inequitable. The State Supreme Court lists four objectionable features:

1. The state's basic aid payments of $125 per pupil to the high property wealth districts should be eliminated.
2. The right of voters of each school district to vote property tax overrides and raise unlimited revenues at their discretion preserves and perpetuates the basic flaw in the system. A district with $100 000 assessed valuation per pupil can raise twice as much as a district with $50 000 assessed valuation per pupil, at the same tax rate.
3. Disparities between school districts in per pupil expenditures, apart from categorical aid and special needs, should be unrelated to property tax wealth.
4. Variations in tax rates caused by differences in local property wealth rather than local voter choice.

"In sum, Jefferson's opinion implies the state must change both its foundation (floor) and the procedure for locally voted tax increases above the foundation[22]."

How the state reacts to the Court's ruling remains to be seen. It is interesting to note that the State of New Jersey was ordered by its State Supreme Court to close its schools and make significant reforms in their finance system. The Court ruled the legislature had not complied with an earlier court judgment.

B. TREATMENT OF SPECIAL POPULATIONS

As far as providing funds for the special purposes designated by the state, the categorical aid program appears to function very well. Special segments of the school age population are targeted, e.g., the educationally disadvantaged, the physically handicapped, or the mentally retarded; and funds are provided to address their specific needs. Unlike Florida, California, however, does not have a detailed school by school program budget accounting format. Consequently, there is some uncertainty as to how much extra money actually reaches the special populations. Funds may also be provided for specific purposes, e.g., textbooks, reading improvement, etc.

22. Michael W. Kirst, "Issue Paper on School Finance in California" (Stanford, California: Stanford University School of Education, 1973), p. 1. (Mimeo.)

This is not to say, however, that the state apportionments made adequately cover the excess costs of educating special populations. Since many of the state formulas for these programs are politically inspired, they are subject to change when new factions become more powerful in the legislature.

C. LOCUS OF CONTROL

Assuming that our analysis of local vs. state control is correct, the state system for financing education succeeds in reducing if not eliminating local control and autonomy. However, there is still enough flexibility in the system to cause the wealth related disparities ruled unconstitutional by the courts. Potential problems can be foreseen as a result of the conflict between this lack of local control and the heavy reliance on local revenues for funding the system. Even with the increased reliance on state revenues in the future, the question of local control will continue to be a very emotional, political issue.

D. INTEGRATION WITH OTHER SERVICES

This is covered in the Florida Case.

E. ACCESS, SELECTION, AND CERTIFICATION

The continuing attempts to reform the educational finance system should also increase the access of all segments of the population to the educational system.

With the renewed concern for demonstrated competency on the part of high school graduates, more careful attention has been paid to the results of the statewide, early graduation provision upon demonstrating competency in certain areas, discussed earlier; and the adoption by some school districts of a required demonstration of proficiency in certain skills, by all high school students before graduating.

There has also been talk of evaluating teacher competency, with regard to hiring and tenure policies. However, it is not very realistic to assume that anything will come of this concern, given the high degree of unionization in the state and the strength of teacher unions in California.

F. PUBLIC/PRIVATE

This policy area has been precluded from any further government initiatives by a series of restrictive U.S. Supreme Court rulings. These court judgments preclude any significant change in the minimal state programs.

G. SOCIALIZATION

Again, this is too diffuse an issue to relate to U.S. educational financial instruments. We need more specific information on textbook impact on children's socialization. The system of U.S. state finance assumes there is a strong relationship.

H. INNOVATION

The problems experienced by California under its state categorical programs for innovation are similar to those experienced by the Federal government in Section II. California's newest programs, such as Early Childhood Education, stress:

1. the school site rather than the school district as the unit for state funding and accountability;
2. a school site council of parents and professional staff to plan an individualized program;
3. a comprehensive plan by the council for the use of all the various federal and state categorical programs available to the individual school site;
4. the use of adult and student aides or volunteers for a 10 to 1 adult/pupil ratio;
5. a record keeping system for individual pupil progress;
6. central district support for staff development and parent education;
7. state funding sources encourage cooperative planning by teachers, ending their isolation, and hold them accountable as a group.

These concepts seem to have more impact than those used in the 1960s.

Chapter XII

PROPOSED CHANGES IN THE CALIFORNIA FINANCE SYSTEM

It is obvious that different alternatives exist for reforming the system of educational finance in California. However, the overriding concern in any modifications made should be in achieving compliance with the California Supreme Court's ruling in *Serrano* v. *Priest*. The application of a two part standard seems appropriate:

1. Whether in the shortest practicable time the impact of differences in district taxable wealth upon spending will have been substantially eliminated for all but an insignificant number of children; and
2. Whether, ultimately, the impact of such wealth differences will have been eliminated for all children[23].

The major thrust of the most recent proposal is to provide a "Quality Level of Support", defined as the amount necessary to provide a quality education for regular K-12 pupils based on equal tax effort, in all districts. It would be funded by a combination of state general fund revenue and a K-12 statewide property tax rate of $4.00, phased in over a five year period, to be used for equalization purposes[24]. The major differences in this new system, versus the current one, center around the idea of equal revenues for equal property tax effort.

If a district wants to spend above the Quality Level of Support (provided by the state), it must do so according to a new concept: for every $0.10 added to the local property tax, the same amount of money would be raised in any district in the state. If $0.10 raised more than the state average in wealthy districts, this excess would be "recaptured" by the state and redistributed to low-wealth districts, e.g., from District C to District A in Table 9.

Thus, the *Serrano* criterion of divorcing the level of local educational spending from district wealth is met by establishing a precise schedule of local tax rates and school expenditures per student, such that any two districts having the same local school tax rate have available the same amount of noncategorical dollars per student[25].

23. Stephen D. Sugarman and Robert H. Mnookin, *Brief of Amicus Curiae, The Childhood and Government Project*, L.A. No. 30, 398 in The Supreme Court of California (Berkeley, California: The Childhood and Government Project, October 31, 1975), p. 3.

24. School Support Committee, "Recommendations for Public School Support", *In Compliance with The California Supreme Court Serrano vs. Priest Decision and The Los Angeles Superior Court Judgment, Findings of Fact, and Conclusions of Law*, Date August 30, 1974 (Sacramento, California: The California State Board of Education, November 14, 1975), p. 8.

25. Charles S. Benson, "The Transition to a New School Finance System", *School Finance in Transition: The Courts and Educational Reform*, John Pincus, editor (A Rand Educational Policy Study. Cambridge, Mass.: Ballinger Publishing Company, 1974), p. 153.

Other provisions of the proposal would include: retention of the expenditure limit concept; full federal or state funding for categorical aids special needs programs; the annual adjustment of the Quality Level of Support and the add-on range by increases in the consumer price index.

This is, of course, only one of many proposals for bringing the California school finance system into compliance with the court judgment. However, it is being looked at closely by the state. Certainly, some of its provisions will be included in any legislation that eventually emerges.

Chapter XIII

SOME CONCLUDING THOUGHTS

There is no foreseeable end to the tension between the policy goals of equity and local control. Even though some financial distribution systems can harmonize these two goals, any such new system will require some loss of leeway from the local political perspective. For example, a very wealthy district must share its property tax base with its poorer neighbors. The specter of excessive state control will be raised for a number of reasons, including the preservation of wealthy enclaves such as Beverly Hills, California. But the state control issue goes beyond this and extends to the level of government which should make what types of education policy decisions.

We have no empirical answer yet concerning whether more state aid leads to more state control. Clearly, Florida has restricted local decision-making in some ways (local property tax rate setting), but expended it in other ways (school site decision-making).

The finance reform movement has won some victories in some states, such as Florida and California. But many state courts have refused to overturn even more inequitable systems. Consequently, the United States outlook seems to be a continuation of interstate difference in all fiscal dimensions. The recent U.S. recession has slowed the movement, but this is probably only a temporary phenomenon. The recent U.S. Presidential campaign gave a low priority to education, so the locus of change will remain in the state capitols.

YUGOSLAVIA

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INTRODUCTION

In Yugoslavia the term primary education comprises the eight-year compulsory elementary school attended by 96 per cent of the age group 7-15. In terms of organisation, curriculum, syllabus and finance, all financial and statistical indices relate to the eight-year elementary school, therefore this study will refer to the financing of this basic period of education. Our general observations will refer to all elementary schools in Yugoslavia, but some more detailed examples and analyses will be drawn from specific republics or local communities.

Every local community and, indeed, all the smaller settlements have at least one elementary school. In the academic year 1974/75 there were 13 534 such schools together containing 104 056 forms (sections of a class) and they were attended by 2 859 768 pupils. The maximum number of pupils in a form is 36, the average is 27. The new laws on elementary education prescribed in nearly all the republics state that the number of pupils in a form should not exceed 30. The number of elementary school teachers is 127 500, which gives a pupil/teacher ratio of 22.4:1.

Classes I to IV each have a single teacher who teaches in all subjects, although in some schools foreign languages and music are taught in these grades by subject teachers. In classes V to VIII every subject is taught by specialist subject teachers[1]. The teachers for classes I to IV are graduates either of the Teachers' Training School (8-year elementary school + 5-year teachers' training school) or of a pedagogical academy (8-year elementary school + 6-year pedagogical academy). The subject teachers for classes V-VIII are either graduates from a 2-year post-secondary higher school of pedagogy or graduates of a relevant university faculty where they will have spent four years. The teachers in classes I-IV are obliged to do 25 "hours" (lessons of 45 minutes) per week; subject teachers must do 20-22 "hours" per week.

By republican law, working time in elementary schools amounts to about 210 days. Of these 200 or 6 210 "hours" consist of actual teaching. These 6 210 "hours" are distributed among study groups in all classes as follows: languages and literature 28.02 per cent; social sciences 10.96 per cent; mathematics 20.54 per cent; natural sciences 12.47 per cent; vocational and polytechnical education 6.71 per cent; physical and health education 10.30 per cent; education in fine arts and music 10.40 per cent; general national defence 0.60 per cent.

Children who will attain the age of seven in the course of the calendar year enrol in the first class of the elementary school; but the law also allows children of six to enrol if they have passed tests of psycho-physical ability.

1. In sparsely populated rural areas teachers may teach three or four different subjects. Here the small elementary schools may have to accommodate several classes (four, or sometimes more) in a single room.

Special elementary education for children handicapped in their psycho-physical development is organised in special schools, in special classes in regular elementary schools, and in other educational institutions for pre-school and elementary education. There are, therefore, schools or classes for blind children and those with poor sight; for the deaf or hard-of-hearing; for those handicapped by ill-health or physically disabled; for the mentally retarded; for those with behavioural troubles and for those who suffer from multiple defects. Of the entire age cohort attending elementary school 1.2 per cent are enrolled either in special schools, or in special classes in regular elementary schools. Approximately a quarter of all children who should receive special education are thus provided for. All costs of special education are met from the same sources as those supporting regular education in the elementary schools (see p. 129). Teachers for these special schools have two years' training in a post-secondary higher school of pedagogy or four years in the appropriate faculty of a university.

The elementary school in Yugoslavia is firmly integrated into its social surroundings. It is a social institution, not only by its function but also by its position, its way of management, its method of operation, and its organic connections with the community in which it subsists. The elementary school grows up in the community and bears all its characteristic features. Through a reciprocal action it, in its turn, will influence the community from which it sprang up in the first place. This interaction between school and commune is performed in various ways, such as the permeation of the educational content of all (or nearly all) teaching subjects with the content of the social, economic-technological and geographical background of the commune and with the characteristic content and features of the environment. The school makes effective use of social and productive relationships established in the commune, participating in the social life of the community and in turn encouraging the commune's participation in the activities and the life of the school[2].

2. See Bezdanov, Stevan *A community school in Yugoslavia*, Unesco: IBE, 1973, Paris.

Chapter 1

THE POLITICAL, SOCIO-ECONOMIC AND LEGAL BASIS OF THE PRESENT FINANCING SYSTEM FOR ELEMENTARY EDUCATION IN YUGOSLAVIA

FROM STATE GOVERNMENT TO SELF-GOVERNMENT IN THE FIELD OF EDUCATION

By the first Law on Education, passed in Yugoslavia on the 26th October, 1945, compulsory education was introduced for children aged seven to fifteen. The first postwar Constitution (1946) stipulated the position of schools in the new State: "For the purpose of raising the people's general cultural level, the State will make provision for schools and other educational and cultural institutions which shall be accessible to all social strata. The State will pay particular attention to the education of youth in governmental schools. Only by special legislation may private schools be established, and their activities are subject to State control. Elementary education is compulsory and free. The school is separated from the Church[3]." In conformity with the socio-political system and the level of the social conscience of that time, it was acceptable that the State should have the right to make decisions on the establishment of schools, approve curricula and syllabi, provide for and have control over school facilities, and exercise the predominant influence on the appointment of the teaching personnel in elementary, secondary and higher schools.

The passing of the Law on the Management of National Economic Enterprises and Higher Economic Associations by Working Collectives (1950) marks the turning point in the development of the social-political system and social relations in Yugoslavia. The transfer of factory management to workers was the first practical step in the transformation from "government in the name of the working class" to direct government by the working class itself. The Constitutional Law of 1953 stipulated the principles of self-management in industrial and other concerns in the productive sector and in the fields of education, culture and social services. Social self-government appeared as a substitute for the hitherto direct government by the State and in 1955 a General Law on School Management was passed, followed by the then General Law on Schooling (1958). Collegial social bodies were established, and so were councils for all socio-political

3. The Constitution of the Democratic Federative Yugoslavia, Article 38.

communities—from the local community up to the federation itself. School boards and councils for the institutions of higher education were also established as social bodies. These boards and councils which are composed of representatives of educational institutions (1/3) and representatives of wider, social interests (2/3), have in many ways replaced the machinery of government for political direction. The General Law on Schooling declared that "The schools are managed jointly by the teaching staff and citizens who are able to contribute to the achievement of the objectives of the school, and who are appointed by the assemblies of citizens and interested organisations and institutions. In the management of schools, the pupils/students take part through their representatives".

One of the basic characteristics of the method of management for education at that time was the outstanding role performed at the Federal level in modelling the school system and in reforming and democratising the system of school management. The republics started to pass their laws in 1958. Until then, and actually until the new Constitution of 1963 the whole school system was regulated mainly by federal laws. The financing of schools as well came under these regulations until 1966 when the General Federal Law on the financing of education was passed.

The Federal Constitution of 1963 stipulated that, in the socialist republic, the workers should exercise social self-government, organise social relations, direct the course of the development of the economy and social services, execute all social affairs of common interest for political, economic and cultural life and for the overall development of the community. The Federation could pass only general laws in the domain of education and these were not applied directly. This fixing of limits among competences and authorities marked the beginning of the decentralisation of school management. Actual legal regulation in the domain of education then fell within the competence of the republics. In terms of self-government and the acquisition and distribution of income, the Constitution made institutions in the educational sector equal with working organisations in the productive sector and with institutions providing other social services. The people working in education were no longer considered state civil servants and were regarded as "creators", much the same as those working in industry or in agriculture.

Constitutional Amendments (1971), the new Constitution (1974) and the Law on Associated Work (1976) have now opened the way for the creation of the widest base for radical changes in the socio-economic position of education and of those people employed in this sector. Thus workers in factories and establishments and citizens have now taken over all essential functions in the formulation of policy and in the management of education. Constitutionally, teachers were given a socio-economic position (in the sense of the acquisition, disposal and distribution of revenues and personal incomes) equal to all other working people employed in economic and social activities. Self-governing interested communities (later we shall say more about them) became the highest "authority" in the domain of education. In the new system of self-governing organisations for education, instead of the former code of laws; social agreements[4] and self-government treaties as a way of communication between those involved in self-government, in particular in the matter of acquiring and distributing resources for education, were introduced.

4. Social agreements are instruments by which organisations of associated labour, interested communities, socio-political communities, unions and other socio-political organisations provide for and realise the co-ordination and establishment of socio-economic and other relations of national or general interest on the basis of self-government.

A BRIEF SURVEY OF THE EVOLUTION OF THE SYSTEM OF FINANCING EDUCATION

In the period from 1945 to 1956 the only sources for educational finance were the budgets of the local communities and districts for elementary and secondary education; and for institutions of higher education, from the budgets of the republics. Schools applied to the competent authorities of the socio-political community (local community, district, republic) for the allotment of resources for the fiscal year, and these decisions on the amount of resources were made without the participation of teachers in the decision-making process. The allocation of resources for the basic activity of schools came directly from the budget: schools were allotted resources only for the so-called personal and material expenses; the resources for personal expenses were provided on the basis of the Law on Civil Servants according to a system of payment groups and depending on the number of employed personnel. There were no established criteria for the estimation of needed resources, so material expenses were calculated by subjective evaluation of the relevant service dependent upon budgetary possibilities. The resources for personal and material expenses were strictly earmarked and the working collectives in schools had no right to make any changes in the distribution. Resources for the amortization of basic resources of the school were not provided for because amortization did not figure as an element in the calculation of the costs of education. Finance of investments in education came directly from the budget; for every following year the allocations to schools were increased administratively subject to the total budgetary position; all resources that had not been used in one year were suspended and had to be returned to the budget—they could not be transferred to the following year.

The principal characteristic of this system of financing was the outstanding autonomy of educational institutions in the disposal of financial resources. Another element was the introduction of additional resources besides the budgetary ones—funds for education in industry. School committees and councils were empowered to prepare their own preliminary estimate of expected incomes and expenses known as the financial plan. This plan represented an overall view of the financial requirements of the institution without itemising the precise use of resources. The institution itself decided on the internal distribution of the allocated resources, approval for which remained within the relevant body in the local community, district or republic. Those resources not used were not returned to the budget but were carried over as additional items of cost to the following year. From the funds for training in industry, provisions were also made for the construction and equipment of new schools and for centres of education, as well as for the improvement of the equipment of the existing ones. At that time, these funds provided 25 per cent of the educational investment. The budget, however, remained the main source of finance for education. Budgetary investments viewed from the territorial aspect show that the republics participated with 50 per cent, the districts with 22 per cent and the local communities with 28 per cent of resources. The role of the district budget has been gradually diminishing as State authority has decreased.

In 1960 the Federal Assembly passed the Law on the Financing of Education. This law substantially diminished the influence of State agencies in decision-making and in the management and allotment of financial resources for education. In addition, new sources of financing were introduced. In local communities and in republics the so-called school funds were established. The revenues of these funds came from several sources, the only compulsory one being a tax on personal incomes. This was fixed at the rate of 10 per cent of the total

revenue to budgets from personal incomes. The contribution was paid directly to school funds. The additional sources included:

a) the part of budgetary incomes of local communities fixed by the assembly of the community;
b) direct contributions of economic enterprises and independent establishments to school funds;
c) supplementary contributions out of personal incomes to budgets for education, the level of which was determined by the communities themselves;
d) a part of resources coming from general taxes on private enterprises;
e) other contributions in the form of endowments, gifts, interests on stocks of school funds, etc.

A similar structure was preserved for republics, except for resources under (*c*) and (*d*). Within the scope of the federation the main and the only source was the budget from which the federal administration and research work in education were financed. Out of the federal budget subsidies were also made to republics for the equalisation of provisions for education in economically less developed communities (we shall say more on this subject later). At that time, the structure of finance in educational institutions was made up as follows: budgets 70 per cent, supplementary contributions from personal incomes 16 per cent and contributions from economic enterprises and other sources 14 per cent.

Also during this period a number of regulations on the status of teachers, their salaries, their employment and promotion were passed. Until then, these items were regulated by the Law on Civil Servants. This was the first time, too, that a formal contract was applied in the regulation of relationship between the school fund and the school with respect to the acquisition and use of financial resources.

In July 1966 the Federal Assembly passed the General Law on the Financing of Education which had to serve as a basis for the working out and acceptance of republican laws on the financing of education. It contains essential principles for further democratisation and decentralisation of the development policy for education, postulating (with relevance to the social mood) that the education development policy and the policy for the allocation of resources should be compatible.

a) The new law established autonomous, stable and constant sources of financial resources as a function of a general growth in the material forces of society, calculating the amount of resources for education in relation to the increase of personal incomes of the employed and the productivity of work. The citizens who were employed were to pay the contribution for education according to rates and under conditions regulated by republican laws and relevant ordinances. Contributions for education were to be paid also by citizens who had incomes from agriculture, craftmanship and other private services, royalties, patents and technical innovations. The Law stated that communes and republics were at liberty to decide if a certain part of the purchase tax on retail goods should be allocated to investment funds for education. Beside these compulsory contributions, the Law provided for the possibility of enterprises allocating contributions for education out of their incomes, and for various funds, including voluntary contributions, from citizens.

b) One of the fundamental characteristics of this new system of financing education was the establishment of the self-governing association for the creation and realisation of policies in the educational sector—the establishment of the so-called communities of education. In the General Law, in the paragraphs on

principles, aims and objectives, and the tasks and the structure of communities of education, it says: "Aiming at the complete achievement of the social role of education, direct interrelationship between the activities of educational institutions and the requirements of the economy and social services, the decision-making on the allotment of social resources for education, as well as in consideration of other problems of common and particular interest in the domain of education, communities of education are established. Communities of education are constituted of educational institutions, working organisations in the economic and social services and other interested organisations and citizens."

c) By the new system of financing education, the relationship between educational institutions and communities of education was established through the so-called "price of education" (unit costs of education, the total of resources paid by the community of education to the school per pupil). The price of education includes: the restoration of the amount of resources spent in educational activities (amortization); material expenses; personal incomes of the personnel employed in the educational institution; the satisfaction of personal and common needs of people working in the educational institution (contributions for social insurance including medical care, disability insurance, old-age pensions, and relevant social administration); the widening of the basis of the educational institution; the modernisation and innovation of educational work; minor investment work; research and development work in education and a part of the costs of the pupils' living standard.

d) Later decisions of the Federal Assembly made changes in some of the laws that did not bear directly upon education but could contribute to the strengthening of its material basis. Thus, changes in the Law on Banking and Crediting opened the possibility of benefit from the resources of the bank for the investment, construction and modernisation of educational facilities, and reconstruction of old school buildings, by favourable stipulations relating to the return of the loan (low rate of interest and long-term credits). The changes brought about in the Law on the Construction and Investment Policy stipulated that each programme of new construction must contain an item on resources for education and professional qualification of workers who will be employed in these new buildings. By changes in the Law on Tariffs of Federal Taxes on Turnover, the entire equipment for schools and educational purposes in general (including new aids in the modern technology of education: TV, programmed education and programmed learning, computers, etc.) are exempt from paying the federal tax on turnover, and the same is applied in the republics and communes (thus, the price of the equipment is reduced by 25 per cent). The principal aim of these and other changes was to incorporate economic assumptions of educational development and of the integral part of the associated work into the whole working of the economic system.

The Resolution of the Federal Assembly on the Development of Education on the Basis of Self-government (1970) and the new Constitution SFRY (1974) accomplished further, deeper changes in the system of financing education, i.e. in the system of socio-economic relationships between education and other domains of work and in the socio-economic position of education in society. Teachers, whose position was made equal to that of people working in other sectors were given the possibility of earning an income for their work on the principle of the so-called free exchange of work and results of work.

a) With respect to the sources of finance for education in the new system, limits were set between the source of finance for elementary education on the one hand and the entire range of secondary and higher education on the other. The development of elementary education was conditioned by constitutional stipu-

lations on compulsory elementary education, as well as by citizen involvement in policies for its development and sources of financing.

Citizens make decisions on the financial resources for elementary education either directly through referendum or indirectly through the assembly of the community of elementary education in consultation with the assembly of the socio-political community (commune, republic, region). The principal sources are the contributions from the personal incomes of all employed people and from the revenues from agriculture and other independent activities. Policies of the republics and of the federation, on the principle of solidarity, ensure other additional resources for elementary education in the less developed regions. Decisions on the development of education after the elementary level are made by the people employed in production and in social activities. Direct decision-making occurs in assemblies of workers, in referendums or through social or self-governmental agreements. Indirect decision-making is carried out by self-government bodies within independent and associated working organisation. Financial resources for post-elementary education are provided out of the revenues of all organisations of associated labour (enterprises and establishments) because it is considered as an integral part of work and the primary condition for social reproduction in every economic enterprise and every establishment. Post-elementary education enters in this way into the category of the so-called production consumption (for some functions of education resources can be allotted also out of the total income and this on the charge of material costs).

b) Communities of education for elementary schools are established for one or several local communities on a territorial principle, and for post-elementary schools communities are established on the so-called principle of production and work (according to trades, branches and groups of work or the type of activity). All basic communities of education are associated in republican communities of education (republican community of primary education and republican communities for each type of activity).

c) The system of social agreements and self-government agreements[5] is introduced to regulate the essential questions of policy and educational development. These include ensuring that the development policy for education is in accord with the social development and personal needs of the population: deciding on the sources and rates of contributions for education; agreeing upon the basis and criteria for the distribution and allotment of resources for personal salaries; determining the interrelationships of rights and obligations and the instruments for their realisation.

In this system of socio-economic relationships, the role and position of socio-political communities (commune assemblies, assemblies of regions and republics, as organs of State authority) has changed considerably. Formerly, it was the representative bodies of the socio-political communities that predominantly determined the development policy of education and the extent of financial resources that should be available for its realisation. In the new system decision-making on these questions is transferred from the State agencies to the self-government bodies of workers and citizens. Socio-political communities limited their function so far as education was concerned to the stimulation, direction and co-ordination of educational development through plans of social and economic development. They were less and less concerned with exerting authority, and more and more with problems concerning the integration of education with other spheres of social activity.

5. Self-Government Agreement Making is an instrument by which workers in basic and other organisations of associated labour regulate their relations and affairs with other interested parties (e.g. the educational community).

EDUCATION AND THE FINANCING OF OTHER GENERAL AND COMMON NEEDS (COMMUNITY ACTIVITIES - SERVICES)

General community activities and social services[6] are financed along the same principles and from the same sources as education. The accumulation of resources for current operations of the social service organisations is carried out mostly through contributions from personal incomes and from taxes on citizens (see Table 1).

Table 1. Sources of finance for current operations in the social services
Percentages

	Total	From contributions and taxes	From workers organisations	From citizens	Other income and subsidies	Total income as percentage of GNP
1970	100.0	65.7	17.1	10.1	7.1	14.8
1971	100.0	66.8	15.3	10.5	7.4	14.4
1972	100.0	67.3	15.5	10.1	7.1	14.5
1973	100.0	67.4	15.8	10.8	6 0	13.8
1974	100.0	67.1	15.9	10.7	6.3	13.5
1975	100.0	65.5	15.6	10.6	7.2	15.3
Cumulative 1971-1975	100.0	67.0	15.7	10.6	6.7	13.7

It is characteristic that 86 per cent of the resources for education are derived from contributions, 8.3 per cent from workers organisations, and 4 per cent from citizens through voluntary contributions. In science and research the case is the reverse, workers' organisations providing about 65 per cent (which is normal because of the tendency towards ever closer integration of science and industrial production), socio-political communities providing about 30 per cent and citizens about 1 per cent.

Approximately 50 per cent of the expenditure in the social services goes to salaries, material costs take about 40 per cent, and gross investments about 10 per cent (see Table 2).

Table 2. Principal items of expenditure in the social services
Percentages

Years	Total expenditure	Material costs and legal obligations	Gross salaries	Gross investments
1970	100.0	38.7	51.7	9.6
1971	100.0	38.7	50.7	10.6
1972	100.0	39.0	50.1	10.9
1973	100.0	40.8	49.1	10.1
1974	100.0	39.8	49.7	10.5
1975	100.0	40.0	50.1	9.9

6. Here the term social services includes education, science and research, culture, arts, amusement, medical care, social welfare, and physical culture.

An exception to this general statement for the social services is the educational sector. Here salaries account for 70 per cent, material costs for 19.6 per cent and investments for 10.4 per cent.

An interesting statistic in this survey is expenditure in the social services shown as a percentage of national income over the six-year period 1970-1975 (see Table 3).

Table 3. **Expenditures in the social services as a percentage of the national income**
Current prices

	1970	1971	1972	1973	1974	1975
Education	5.3	5.1	5.3	4.8	5.0	5.1
Science	1.2	1.2	1.1	1.1	1.0	1.1
Culture	0.6	0.6	0.6	0.6	0.6	0.6
Arts an Entertainment	1.0	0.9	0.9	0.9	0.9	0.9
Health Service	6.0	6.0	5.9	5.7	5.9	6.1
Social protection	1.2	1.3	1.4	1.2	1.3	1.4
Physical culture	1.0	0.9	1.1	1.0	0.8	0.9
Total	16.3	16.0	16.2	15.3	15.5	16.1

Over the last 25 years educational expenditure as a percentage of the national income has increased from 2.4 to 5.1 per cent. However, more recently (1970-1975) allotments to education have increased more slowly, largely because of legal limits that have been set on financial support for non-productive activities. Nor has the increase in the resources for education been proportionate to the increase in the costs of education or to the quantitative expansion in the pupil/student population. One should bear in mind that the national income in Yugoslavia is 1 000 dollars per capita and out of this 5.1 per cent is allotted to education. The greatest expansion recently has been in higher education and this has, of course, endangered support for the lower levels of the system (see Table 4).

Table 4. **The relation of expenditures for education to overall total expenditures accumulation**
Level index (economy = 100)

	1970	1971	1972	1973	1974	1975
1. Overall accumulation in milliards of dinars	28.9	39.8	32.5	38.2	56.7	78.5
2. Overall accumulation, ratio 2:1	100.0	100.0	100.0	100.0	100.0	100.0
Of the total of gross expenditures for education	26.2	23.7	35.6	34.7	31.7	31.6
Material costs and investments	7.4	6.9	10.6	10.5	9.9	9.0
Gross investments	2.8	2.7	3.9	3.4	3.4	3.6

According to projections of expenditure for education up to 1985, in 1980 its share of the GNP will be 5.7 per cent and in 1985 6.2 per cent. The average rate of increase of resources for education (prices from 1970) will be about 10 per cent. The highest rate of increase will be for material costs (16 per cent) and investments (12 per cent).

RESOURCES FOR ELEMENTARY EDUCATION IN A SINGLE SYSTEM OF FINANCING EDUCATION

It has already been pointed out that the differences between the financing of elementary education and of secondary and higher education stem mainly from the difference in their sources of funds (elementary education being financed out of the personal incomes of the employed and secondary and higher education out of the revenues of economic and other working organisations and through measures of social intervention designed to equalise the provision of education). From the total of resources annually allocated for education about 52-58 per cent is allotted for the elementary level. In contrast to secondary and higher education, where the greatest share of the increase of financial resources was due to the expansion of pupil/student population, in elementary education about 80 per cent of the increase in resources can be explained as a consequence of the increase of expenditures per pupil—hence a real material improvement in elementary schools. In the course of the last two decades the resources per elementary school pupil have increased by 20 per cent more than the increase in national income. (In the same period, secondary education has received a smaller increase of resources per pupil in relation to the increase in the national income—32 per cent. The figure for higher education is 48 per cent.)

In elementary education, unlike secondary and higher education, the so-called pedagogical standard has been used as a criterion for the allotment of supplementary allocations in the less developed local communities. There is also a large range of instruments of social intervention that can be applied for the equalisation of the provisions for education (we shall say more on this item later on). The greatest part of resources accumulated in local communities through contributions of their citizens (see below) is invested in the construction of elementary schools. On the whole, and in most republics and regions, elementary education has enjoyed priority so far as finance and material development are concerned. This has been reflected in the overall results achieved by this level in the education system. (See further in Chapter V.)

Chapter II

SOURCES FOR THE FINANCING OF ELEMENTARY EDUCATION, THE SOCIAL PROCEDURE IN THEIR DETERMINATION AND THEIR MANAGEMENT

LEGAL BASES FOR THE SOURCES OF FINANCE FOR ELEMENTARY EDUCATION

Republican laws on the financing of education (until 1975), and subsequent laws on self-governing interested communities of education regulate and determine the sources of finance for both elementary education and the whole post-secondary system. As already pointed out, the principal source for elementary education is the contribution from the personal income paid by all employed people in the social and in the private sector. This contribution varies from 2.5 per cent to 7 per cent of personal income depending on the salary scales in individual local communities. In contrast to the former system of financing (until 1975), where the rate of the contribution from personal income was determined by law or by decision of the communal assembly, in the new system (based on the Law of Self-Governing Interested Communities for Education, 1975) the rate of the contribution from personal income is determined independently by the assembly of the self-governing interested community[7] for elementary education (we shall say more on these communities later on). Before taking a decision on the rate, the assembly of the SGIC of elementary education consults the local community on their proposal in a public discussion. A decision on the rate of the contribution from personal income can also be taken by referendum. Beside deciding upon the contribution from personal income (which, for example, in Belgrade is 3.29 per cent), the assembly of the SGIC of elementary education, in concert with the assembly of the local community, can also take decisions on other supplementary sources for financing elementary education. Thus, for example, the contribution from the personal income of independent occupations, agriculture, and royalties provides in a number of local communities about 50 per cent of the budgetary revenue of the local community, the turnover tax on retail goods and the turnover tax on services each amounting to 5 per cent[8].

7. Hereafter referred to as SGIC.

8. Here should be added: supplementary resources for investments, approved loans, interests on means invested with the bank, annuities for approved credits, various endowments and gifts and in particular the voluntary contributions of citizens.

The rates of the contributions from personal income and other sources are determined in the light of the resources needed to finance the basic activity and to widen the material basis of the schools, calculated either on the agreed price of education per pupil or on the fixed republican standard for elementary education. Besides contributions from local communities, the laws also foresee the establishment of republican contributions for supplementary resources for financing elementary education in those local communities that, due to economic underdevelopment, cannot provide sufficient resources to attain the national standards for elementary education.

As to the contributions from personal incomes, current regulations on the payment of taxes by citizens are applied to determine the rate, the exemptions and facilities, the method of accounting, and the apportionment of the monies so collected.

Policies for the development of facilities for elementary education in each local community and republic are determined, by rule, for the medium term (five years) as are the rates of contributions for individual financing. The development of elementary education in a local community and in a republic is an integral part of an overall local or republican plan for social and economic development.

In a number of local communities, prompted by the socio-political organisations, citizens have decided on supplementary investments in education—either in mass meetings or by referendum. This is the so-called voluntary contribution of citizens which accounts for between 1 and 3 per cent of personal incomes or the corresponding proportion of incomes from agriculture or private activities for a committed period of two or three years. This supplementary source of finance is used mostly for the construction and equipment of schools. In some local communities it may constitute as much as 50 per cent of the total of investment resources. Also very common is the voluntary participation of local people on the building sites for schools. We have no figures for local supplementary contributions as a percentage of the total finance for elementary education in the republics and communes; we know, however, that in the communes where the citizens voted in referendum for such a contribution it increased the resources for elementary education by between 30 per cent in some places and 78 per cent in others.

Taking into account these various sources of finance for elementary education, it is possible to itemise the revenue for this purpose in a local community. The example in Table 5 is taken from SR Croatia.

Table 5. **Sources of revenue for elementary education in local communities**

Per cent

Year	Resources transferred from the previous year	Autonomous revenues of communities of education	Budgets of local communities	Supplementary resources of republican communities of education	Other revenues including the resources for investment
1970	2.7	78.9	1.2	12.0	5.2
1971	3.7	77.2	0.9	13.6	4.6
1972	3.3	76.6	0.6	14.2	5.3
1973	4.2	75.1	1.2	13.8	5.7
1974	2.1	78.1	0.9	13.2	5.7
1975	3.7	77.9	0.2	13.1	5.1

SELF-GOVERNING INTERESTED COMMUNITIES OF ELEMENTARY EDUCATION

All financial resources for elementary education are accumulated in SGIC's of elementary education. These communities represent an institutional form for the association of all social bodies interested in and responsible for the policy and development of elementary education in the commune. It is there that decisions on the financial resources needed for the development of elementary education takes place, within the framework of the so-called free exchange of work between people employed in the schools (teachers) and other working people and citizens employed in the economy or in other social services. These communities which contribute out of personal income the resources needed to finance elementary education have made possible the abolition of the last remnants of budgetary financing of elementary education on the principle of the free exchange of work between those employed in education and in other sectors.

In SGICs the entire policy of elementary education is formulated along principles of self-government by the local working people and citizens in consultation with the people actually employed in the elementary schools (teachers, headmasters, etc.). The communities of elementary education, in determining their development policies, co-ordinate their plans and programmes with the programmes of other SGIC (for example, those for child care, culture, health protection or social protection) and with the social development plans of socio-political communities (local communities, republics). They make provision for the implementation of the policies decided upon, and continue to their realisation. The SGIC enjoy the status of a legal person having rights, obligations and responsibilities. The communities are established by working people and citizens in local community and by working people employed in schools through the so-called self-government agreement. The self-government agreement, the Statute, the Law and other legislation concerning the principles and the system of self-government stipulate the aims, objectives and tasks of the interested community, they determine its composition, its means of management, the organisation of professional services, the methods of control over the branches of management, the supply of information to working people and citizens on the work of the community of education and other such matters.

Self-governing interested communities of elementary education are built up from the bottom. Then, by nature of their activities and the scope of their common interests, the interested communities join together into more complex units with wider interests (communal, intercommunal, regional and republican communities).

a) The basic interested community of education is formed around the elementary school (much the same happens with pre-school institutions). This is fundamental to the whole self-governing system and the mechanisms of management in the schools. The basic self-governing community is established by the population of a smaller unit of the local community and the working people (teachers) employed in elementary school. Basic interested communities determine the pedagogical standard of elementary education which must not be lower than that fixed in the local community (which itself must not be lower than the republican standard). These communities also make decisions on the resources which will be needed to achieve this standard. Every basic interested community can also provide for supplementary resources if the working people and citizens of the area so wish it, and if they can afford it.

b) Basic self-governing communities associate with communal self-governing interested communities of elementary education. In the communal interested

community the policy for the development of elementary education in the local community is co-ordinated, pedagogical standards are made the same for all schools, facilities for elementary education are equalised throughout the area of the local community, common running of financial affairs and other professional and administrative services are organised. Attention is paid to the schooling and professional advancement of teachers along with other affairs and functions in the interest of elementary education within the area of the local community.

c) Basic self-governing communities and communal self-governing interested communities of elementary education may if they wish confer with wider associations to intercommunal and regional interested communities—with a view to achieving goals of common interest.

d) There are goals and needs of elementary education, as well as functions of SGIC, that cannot be achieved by these communities themselves. Examples are providing for wider social goals and objectives, assurance of a special policy in elementary education or taking over the role of the republic in equalising the general standard of all elementary schools regardless of the level of economic development or the social conditions immediately around them. For this reason communes, or intercommunal and regional self-governing interested communities, associate themselves with the republican self-governing interested communities of elementary education.

The republican community of elementary education has a number of functions. It determines and carries out special development policy and fixes the pedagogical standard of elementary education. It equalises the facilities for the operation of elementary schools and makes provision for supplementary resources for the elementary education of children and adults in economically less developed regions. It finances elementary education in the languages of national minorities and provides for bilingual instruction. It provides special elementary schools, pre-school and elementary school education of the children of Yugoslav workers in foreign countries. The republican community of elementary education also makes provision for research and development work with a view to improving instruction in the schools and fulfills other tasks that are in the interest of the associated self-governing interested communities.

The highest body in the management of a SGIC is the assembly. The assemblies of interested communities organise their own executive bodies.

a) Delegates to the assemblies of basic self-governing interested communities are elected directly by the working people and citizens of the smaller basic local unit of the local community and teachers in elementary schools in the area. The delegation is composed of an equal number of working people and citizens of the basic local unit and a pre-determined number of teachers of the elementary schools that come under the community of education. The delegates are elected for a period of four years. People holding managerial positions cannot be elected as delegates to the assembly of the community.

b) The delegation to the self-governmental interested community within the domain of the local community is composed of a specified number of delegates elected by assemblies of the basic SGIC from among the delegates of the working people and citizens from basic local units, and an equal number of delegates from the elementary schools.

c) The delegation to the republican SGIC is composed of an equal number of delegates elected by each of the assemblies of communal SGIC from among its members.

The assembly of SGIC (basic, communal, republican) acts in accordance with its recognised rights and obligations. It determines short- and medium-term programmes and plans for the development of elementary education, and the

criteria for the allotment and distribution of resources to elementary schools. It makes the financial plan and draws up the accounts; it prepares a report of its activities for the members of the SGIC. It is responsible for the establishment of new schools and for decisions upon necessary changes in the classroom capacity of existing schools; it makes arrangements with banks on behalf of the interested community. It fixes the standard of elementary education and is concerned about its being maintained; it provides facilities for development research work and for the professional and socio-political advancement of teachers; it passes the Statute and other general acts; it elects its own executive and other functional bodies.

The assemblies of SGIC of elementary education establish appropriate relations with the assemblies (parliaments) of socio-political communities, both in the commune and in the republic. They take decisions on equal terms with the corresponding council (House) of the assembly of the commune, or republic, on elementary education matters that are within the competence of the assembly of the commune, or of the republic. These include: bringing into accord the rates of contributions from individual social activities; defining the objectives in the development policy for elementary education within the comprehensive plan for the socio-economic development of the commune, or the republic; consideration of the reports of the school supervision on the state of the elementary school and problems encountered as it carries out its functions; laying down the principles for the curricula and syllabuses of elementary education and for the education of elementary school teachers; the passing of laws and regulations to give effect to its decisions on elementary education.

In order to effectively co-ordinate the development of social activities according to needs and capabilities of the members of the community, the SGICs of elementary education co-operate with interested communities of child care, social protection, culture, health protection, employment, physical culture, and housing. This happens particularly when development programmes, requests for needed resources and a common balance sheet are under discussion.

a) The interested community for elementary education co-operates with the community of child care in such matters as pupil's feeding, pre-school education, the creation of school canteens, accomodation and equipment for children making the creation of school canteens, accommodation and equipment for children making holidays and recreative out-of-doors instruction.

b) It co-operates with the SGIC of social and health protection in questions of: provision for equal facilities for work in pre-school institutions, the medical care and health protection of children, the health protection of staff in elementary schools and clinics, and pupils' health education.

c) It co-operates with the SGIC of culture in such things as: the organisation of school libraries, cultural activities of schools and cultural institutions of importance for the education of children and youth, children's creativeness and the development of young talents.

d) It co-operates with the SGIC of housing in providing accommodation for teachers and maintaining a housing fund for teachers employed in elementary schools.

e) It co-operates with the SGIC of physical culture in such matters as: the expansion of mass physical culture and recreation for young people, sports clubs in schools and the construction of sports sites for children.

The rights and obligations arising from such co-operation, including the provision of financial resources, are regulated by self-governing agreements between the SGIC of elementary education and the corresponding SGICs.

In the functioning of the SGIC of elementary education certain problems have arisen. Intercommunal, regional and republican communities of education

have not yet really succeeded in becoming the central point for concerted action and co-ordination of the policies of the basic and communal SGIC and the policies for elementary education in any given area. The communal interested communities of elementary education do not have enough influence on the programming orientation and activities of their communities. Republican SGIC do not offer enough professional aid to communal SGIC, nor enough concrete initiative, suggestions or guidance. There are cases of material that is to be discussed and decided on in republic and regional communities being sent too late to the communal self-governing communities for them to have time to consult their delegates beforehand. The delegates from communal SGIC are not often enough co-opted on the boards, committees or commissions of the republican SGIC. In some areas, in the interrelationship between communal SGIC and wider forms of their association (inter-communal, regional, republican) there are instances of hierarchical behaviour. The same is said also of the professional staff of the SGIC on all levels, they having an important influence on the decisions taken by members of assemblies of these communities. All these failings are being gradually overcome, largely through action by the socio-political organisations.

Chapter III

POLICY, CRITERIA AND INSTRUMENTS FOR THE ALLOTMENT OF FINANCIAL RESOURCES TO ELEMENTARY SCHOOLS

GENERAL CRITERIA AND PRINCIPLES OF ALLOTMENT BY COMMUNITIES OF EDUCATION

Self-governing interested communities of elementary education finance elementary schools in their areas on the basis of the following criteria and principles:

a) the salaries of teachers in the schools accord with the average personal income of people working in the productive sector and other social domains, who have achieved the same level of education or qualification;

b) various contributions and taxes are legally deducted from these personal incomes;

c) material costs for education are calculated on the basis of fixed norms of material costs and market prices;

d) amortization of buildings, equipment and teaching aids are calculated on the basis of current regulations;

e) funds of common consumption are calculated on the basis of the average amount of the means of common consumption per employed worker in the productive sector in the local community in the preceding year;

f) means of the obligatory reserve at the level fixed by the regulations;

g) resources for the material expansion of the school (construction of new school buildings, investment maintenance for the existing ones, enlargement and adaptation of school buildings, supply of school equipment and teaching aids, costs of projects and other investment work) are provided in accordance with the law, social agreements and self-governing agreements;

h) resources for development research work and for professional pedagogical work are provided on a scale anticipated in the programme of the community of education.

THE PRICE OF EDUCATION AS AN INSTRUMENT REGULATING SOCIO-ECONOMIC RELATIONS BETWEEN THE ELEMENTARY SCHOOL AND THE COMMUNITY OF ELEMENTARY EDUCATION

Finance for every elementary school for its basic activities is provided in accordance with the programme of the community of elementary education and is based on an agreed price of educational (teaching) work. This price of educational work (later in the text called the price of education) is fixed for each school on the basis of criteria and principles that have already been laid down. Special criteria and principles on the basis of which the price of education is given a figure are defined by the self-governing agreement accepted by the assembly of the SGIC, the trade union of the workers in social activities (of which the teachers are members) and the elementary school, after a preliminary public discussion. The price of education is expressed per pupil and per form (section of a class) for one school year.

The elements of the price of education are: *i*) material costs (M), *ii*) amortization (A) and *iii*) revenue (D).

$$\text{Price of education (CO)} = M + A + D$$

The revenue as an element of the price of education contains: *i*) legal obligations (Zo), *ii*) agreement obligations (Uo) and *iii*) the revenue for allotment (Dr).

$$D = Zo + Uo + Dr$$

The revenue for allotment contains: *i*) gross personal income (L) and *ii*) funds (F).

$$D = L + F$$

The norms of staffing and material equipment are the starting point for the fixing of individual elements in the price of education, and the standard of education, especially the quality of teaching, depends upon them. These norms may vary (minimum, optimum, and maximum), but they may not be lower than the minimum republican standard which is believed to represent the lowest limit for successful realisation of the educational process. A higher standard of staffing and material equipment also means a higher price of education and vice versa.

Reverting to the three levels of educational provision which the local authorities can choose—minimum, optimum and maximum—we are unable to say how many communities choose each level. From personal knowledge of some communes, however, we know that the majority of citizens have voted for the higher rates of contribution providing for higher standards of elementary education. For every standard of elementary education the required rate of contribution has been calculated. The differences between the levels is about 23 per cent, but between the maximum and the minimum the difference is as much as 46 per cent. The choice of a particular level depends mostly on the economic strength of the commune and the living standards of its citizens.

Material costs as an element in the price of education include the costs of: instruction (common and individual), electricity, water, fuel, office supplies, books and magazines and other publications, current maintenance, investment maintenance, small inventory, productive services, non-productive services, travel expenses and allowances. Norms for individual items are determined by an analytical survey and by the application of corresponding exact methods. The material costs as calculated are often corrected in the light of the resources at the disposal of the interested community. The norm for the cost of amortization as an

element in the price of education is calculated by taking into account the basis for amortization and the rates permitted by law. Legal obligations are accounted for in accordance with regulations in force, and agreement obligations (premiums, insurance and banking services) on the basis of the agreed provisions payable to corresponding institutions for services rendered to education. Communities of education can fix higher rates of amortization if they have the funds.

Personal income, the most important element in the cost of education, is determined on the basis of the norm for the number of employed working people in the elementary school and the average of personal incomes of workers with corresponding professional qualification in the productive or the social sector in the commune at the time in question.

$$LD_{ue} = \sum (R_{nk_{1-n}} \times \emptyset L_{nk_{1-n}})$$

where:

LD_{ue} = the norm for the personal income per pupil
R_{nk} = the number of workers of the n- qualification per pupil
L_{nk} = the average personal income of the n- qualification in the productive or the social sector.

In determining the norm for workers in an elementary school, consideration is given to the curriculum and syllabuses where the number of instruction periods for successful achievement of the work at school is prescribed. The norm for the number of workers is determined separately for the teaching staff, assistant instructors, administrative, accounting and technical personnel and helpers.

The average personal income of the corresponding professional qualification outside the education sector is a very important element in calculating the personal income of the teachers. It is determined in two ways:

a) from statistical data on last year's personal incomes related to qualifications in the economic and social activity sectors of the commune plus the increase planned for the current year;

b) on the basis of the average personal income of the (then) unskilled worker in the economic and social activity sectors in the preceding period, to which has been added the increase planned for the current year and the coefficient for the professional qualification for teachers and other personnel at the individual level relevant for each.

The average personal income for a particular professional qualification is very hard to define statistically, especially in large and developed centres. It is especially difficult to apply in the conditions of the work which exist in the education sector where people with different levels of professional qualifications may do jobs at the same level of complexity. For example, the post of the class teacher (the teacher who teaches in all subjects in classes I-IV) may be held by: a teacher graduate of the secondary teachers' training school, a graduate of the two-year post-secondary higher school of pedagogy, a teacher holding the degree of the pedagogical academy (level of higher school), a teacher holding a university degree, or a specialist with a higher degree.

With a view to removing these difficulties in practice, coefficients for individual levels of professional qualification are usually worked out specifically for teachers and other educational personnel. Such coefficients are defined with reference to experience and by the application of the costs of education for individual qualification profiles (direct and opportunity costs of education).

Coefficients for individual levels of professional qualification in elementary education, defined by the method of costs of education for individual qualification profiles, work out as follows:

—	Unskilled worker	1.00
—	Semi-skilled (semi-qualified) worker	1.40
—	Lower professional qualification	1.40
—	Skilled (qualified) worker	1.70
—	Intermediate professional qualification	2.00
—	Highly qualified worker	2.10
—	Higher professional qualification (graduate of the 2-year post-secondary higher school)	2.20
—	High professional qualification (university graduate, 4-year studies)	2.55
—	Specialist in a specific discipline	2.65
—	MA in education	2.75
—	PhD in education	3.00

The personal income of individual workers (or for specific posts), as a calculative element in the price of education is reckoned by multiplying the average personal income of an unskilled worker by the coefficient for the corresponding professional qualification. This puts the personal income from elementary education on an economic basis and brings it in line with the income of people occupied in other spheres.

As regards *funds* as a factor in the price of education, the calculation is made taking into account: *a*) the means of common consumption, and *b*) the means of the obligatory reserve.

The means for *a*) are calculated on the basis of the common consumption per worker in the economic and in the social service sectors of the commune. The means of common consumption are used for: the solution of housing problems, holidays, recreation, professional advancement, severance pay to workers who are retiring, solidarity aid, and so on. In most interested communities the resources are not sufficient to really meet those criteria and in these cases the computed finances are corrected and the calculation is made taking the available resources into account—and these may be 20-25 per cent lower.

The means of obligatory reserve are calculated at 1 per cent of gross personal incomes.

Funds needed for the expansion of elementary education (new investments, enlargement and adaptation of existing school buildings, supply of equipment, and so on) do not come into calculations of the price of education. They are consolidated at the level of the interested community and used in the development programme for elementary education as authorised by the assembly of that community.

The price of education determined in this way between the interested community of elementary education and the elementary school is adjusted for the rise in the cost of living at the beginning of the fiscal year, to take account for forecast rises in personal incomes, material costs, legal and agreement obligations, amortization, and means of common consumption.

REMARKS ON THE DEPLACEMENT OF RESOURCES WITHIN THE ELEMENTARY SCHOOL

The ratio between allotments for running costs and for salaries is determined at school level as it is for other educational institutions, secondary and higher. The purpose of internal apportioning is not only to assure definite quantitative relationship in the allotment of incomes but also to encourage teachers towards higher quality of work, rationality and greater efficiency.

There are regulations already in existence stipulating the criteria whereby teachers' salaries should be assessed. These are: the relative complexity of the post, the level of educational and professional qualification, length of service, the responsibility of the job, and so on. These are on the way to being approved by the Self-government Agreement on Interrelationships of the Working People in the School. For each criterion a specified number of points is awarded (the actual value depending upon the money currently available for paying staff) and the sum of all such points per individual determines the salary of anyone employed at the school.

Personal incomes in elementary school consist of a basic salary and a (variable) bonus awarded for success at work. The ratio between these elements can vary from 85:15 to 95:5, although the tendency nowadays is to attach more importance to success at work than to the other criteria in calculating salaries.

THE FINANCING OF BILINGUAL AND SPECIAL ELEMENTARY SCHOOLS

In ethnically mixed areas racial minorities are taught in their native language in the elementary schools. This results, of course, in the schools being enlarged to enable teaching in two languages and hence to an increase in costs of about 25 per cent above the cost of a normal elementary school. Money for this additional function is provided by the republican interested community of elementary education from its supplementary education budget, which covers: bilingual and multi-lingual instruction, special elementary education, and elementary schools in economically less developed communities.

Special elementary schools, or special sections in regular elementary schools, are financed out of the resources of the relevant communal communities of elementary education and the republican communities of elementary education. In the special schools forms are about a third of the size of those in the normal elementary schools and finance is provided accordingly. One third comes from the communal community of elementary education and two-thirds from the republican community of elementary education. This provision of equal rights and facilities for the education of the handicapped was made by the Law of the Financing of Education in 1965.

INSTRUMENTS FOR THE ACHIEVEMENT OF GOALS OF THE INVESTMENT POLICY IN ELEMENTARY EDUCATION

Responsibility for policies for investment in elementary education and their financing lies with: the elementary schools which include part of investment resources in their price of education; self-governing interested communities of elementary education; economic and other working organisations; and socio-political communities (communes and republics). Investments in elementary education in the economically less developed republics and the region of Kosovo are subsidised from federal resources. The holders of initial investments in elementary education are, usually, the self-governing interested communities of elementary education. The programmes of the more important investments, notably the construction of elementary schools in new settlements, are worked out either as separate activities or an integral part of a more extensive (5-10 year) plan for social and economic development in a commune or a republic. In some republics a high proportion of its investment resources comes from the voluntary contributions of citizens and working people, but broadly speaking about 70 per

cent of the finance for investment comes from the communal and republican communities of elementary education, from voluntary contributions of the working people and citizens, and from amortization.

Investments in elementary education in the economically less developed communities are made by the republic SGIC of elementary education within their function of equalising opportunity for elementary education for all children. This represents between 5 and 10 per cent of their total of annual disposable resources, the authority being the "Regulations for the Allotment of Investment Resources of the Republican Community of Elementary Education for Participation by the Community in the Construction, Enlargement, and Adaptation, and Equipment of Elementary Schools in Economically Less Developed Areas and in Special Elementary Schools". Investment resources are allocated to communal, or intercommunal, or regional interested communities of elementary education for the purpose of:

a) participation in the construction and equipment of new schools and boarding schools;
b) participation in the construction and equipment of new buildings for special elementary schools and institutions for children handicapped in their psycho-physical development;
c) participation in the adaptation, reconstruction and equipment of existing buildings for elementary schools and special elementary schools and institutions for children handicapped in their psycho-physical development;
d) participation in the construction, enlargement, adaptation, and equipment of school canteens, buildings for sports and recreation, and other building for the improvement of elementary education in the less developed areas;
e) participation in the repair of damage to elementary education installations caused by natural disasters.

The Law on the Stimulation of the Development of Less Developed Areas provides for a special fund in each republic for investment by the republican community of elementary education. From this finance is made available under certain conditions to communal, intercommunal or regional communities of education for use in their less developed areas. In addition to this, intercommunal and regional communities of education entitled to receive supplementary funds for elementary education can obtain these from the republican community of education[9]. Republican communities of education participate also in financing buildings for special elementary schools and institutions in areas that are not classed as "less developed" although they are providing schooling for handicapped children coming from areas that are so classed.

The resources of the republican community are deployed through open competition. Every communal, intercommunal or regional community of elementary education is obliged to make provision for its own participation which will depend on the local economic position (national income per capita is the criterion). Participation of the local community itself in the investment programme is governed by the following rules:

a) communities of education in the area of which the national income per capita does not exceed 20 per cent of the average income in the republic are obliged to provide for 20 per cent of their own participation of the preliminary estimate;

9. See in Chapter IV "Financial instruments and other measures of public intervention intended to reduce inequalities in elementary education".

b) communities of education in an area of which the national income per capita does not exceed 40 per cent of the average income in the republic are obliged to provide for 35 per cent of their own participation of the preliminary estimate;

c) communities of education in the area of which the national income per capita does not exceed 60 per cent of the average in the republic are obliged to provide for 60 per cent of their own participation of the preliminary estimate;

d) communities of education in the area of which the national income per capita does not exceed 80 per cent of the average in the republic are obliged to provide for 60 per cent of their own participation of the preliminary estimate;

e) communities of education in the area of which the national income per capita does not exceed 90 per cent of the average in the republic are obliged to provide for 70 per cent of their own participation of the preliminary estimate;

f) communities of education in the area of which the national income per capita amounts to 91 per cent to 100 per cent or exceeds 100 per cent of the average in the republic are obliged to provide for 80 per cent of the preliminary estimate of their own participation.

The resources of the republican community of elementary education are allocated as direct grants to communal, intercommunal, or regional communities of elementary education. In some republics, however, they are allocated in the form of investment credits with a 10-year repayment date. Communal and intercommunal (regional) communities of education may combine their resources for building elementary schools if these will serve a common interest.

A major objective in Yugoslavia over the past few years has been to increase the percentage of primary age children in school. This appears to have been quite successful and it may be partially due to an investment tax credit scheme that serves to reduce the cost of new school buildings.

Chapter IV

POLICIES FOR THE EQUALISATION OF CONDITIONS FOR EDUCATION AND THE DEVELOPMENT OF ELEMENTARY EDUCATION

SOCIAL DIFFERENCES AND THEIR IMPLICATIONS IN THE FIELD OF EDUCATION

The development of the socialist society has not overcome unequal conditions in the sectors of production, distribution, exchange and consumption of goods and in cultural values. This is reflected in the field of education. Features inherited from the old class system, the socialist stratification of society, disproportions in the development of different sectors of work, regional inequalities in economic development and cultural potential: all of these militate against the achievement of equality in education. Existing forms of social mobility and socio-cultural, stereo-types are more or less reflected in the education system. Differing conditions in educational institutions and the unequal effects of education continue to cause new sorts of social inequality or repeat old ones.

The initial causes of inequality can be seen in the different forms in which education is offered, in the persistence of social class characteristics shown by the pupils and teachers and in the relationship between access to education, the quality of the education offered and subsequent competition for work. Among the consequences of social inequality can be ranged unequal aspirations in education, unequal standards, unequal achievements and unequal efficiency in the system. Our research has shown that educational aspirations are in an inverse proportion to its accessibility, as are the costs of education in relation to the conditions that obtain and achievement in relation to the cost.

Unequal conditions for the acquisition of education are in essence the same as those which obtain in everyday life. The nature of the productive sector and the socio-economic characteristics of the environment both have an influence on the development of education in their area and on its institutional accessibility. Variations in the material and cultural quality of family background give rise to different assessments of educational needs and the possibilities of their satisfaction. Social distinctions in the accessibility to education perpetuate inequalities in social distribution. The process of distribution conditions the distribution of economic resources and determines the distribution of social power and social reputation.

INDICATORS OF INEQUALITY IN ELEMENTARY EDUCATION

Throughout the country there is notable disparity in the distribution of pre-school institutions[10]. These are located predominantly in the larger towns, and almost a third of the settled areas with a population below 5 000 are without them altogether. Undeveloped areas such as Serbia for example, which cover 56 per cent of the country and include 43 per cent of the population, receive only 8.5 per cent of the total investment for pre-school education.

At the level of elementary education, differences in access are very obvious and significant. This accessibility depends primarily, of course, on the network of schools and the territorial gravitation of pupils. While 4-year elementary schools (primary schools) exist in all settlements (i.e. in all places where there are children of school age), most of the 8-year elementary schools are found in the more populated areas. In most of the republics a beginning has been made towards the organisation of so-called central elementary schools that cater for the school population from two or more settlements. As a result of this more than a third of the children in compulsory education attend school in places outside their domicile, sometimes as far as 6 km. away from their homes.

Although elementary education has been proclaimed free (including free text-books, school supplies, transport of pupils, feeding in school canteens, etc.), the more developed areas are able to provide more resources for these needs than those that are less developed. At present not more than a third of elementary school pupils receive free text-books. The available data show that only half of the local communities (in certain republics) provide free transport for their school children: far below what is required. In some areas only 12 per cent of those who need it enjoy free transport to school—many of them walk as much as 8 km. a day to school.

Inequalities in elementary education are reflected also in unit costs (the price of education per pupil in undeveloped areas is up to 20 per cent lower than in developed ones); in the educational and professional structure of the teaching staff (about 12 per cent of teachers in less developed areas do not possess any required qualification); in the standard of equipment for study rooms and laboratories; and in facilities for the children's cultural and sporting activities.

FINANCIAL INSTRUMENTS AND OTHER MEASURES OF PUBLIC INTERVENTION INTENDED TO REDUCE INEQUALITIES IN ELEMENTARY EDUCATION

In a society such as Yugoslavia, where public control of the means of production has been realised, the educational level of the individual determines not only his position in society but his personal income, the economic strength of his family, political power and the possibility of participation in the benefits of cultural activities. With the express purpose of equalising conditions for the education of all members of society, a system of solidarity and reciprocity is now being developed in Yugoslavia. Financial instruments and other measures of public intervention used to reduce these inequalities include:

a) *In the Federation:* The Fund for the Crediting of Accelerated Development of Less Developed Republics and the Region of Kosovo; the

10. The inclusion of children in pre-school education accounts for eleven per cent of the age group, which is unsatisfactory.

Fund for Supplementary Financing of Social Services in those republics and in the Region of Kosovo;

b) *In the republic:* republican funds for the stimulation of the development of less developed areas; resources of the republican interested community (supplementary financing of communal and intercommunal communities of education; participation in the construction of elementary and secondary schools in less developed areas; investments for higher education); the so-called "Tito's Fund" for scholarship allowances to young workers and workers' children;

c) *In the commune:* the resources of the communal community of education and the community of child care.

The two federal funds just mentioned were initiated with particular regard to the different levels of development in economic and social activities and to the limited possibilities of the economically less developed republics and the region of Kosovo to achieve accelerated economic and cultural development by their own means. By encouraging solidarity and reciprocity, the Federation provides for a permanent flow of these funds to enable:

i) The financing of the economic development of less developed republics and the Region of Kosovo in the amount of 1.9 per cent of the GNP of Yugoslavia (these resources can be used also for the education of professional cadres needed in the economic sector;

ii) The financing of social services (primarily, education, culture and health services) in the amount of 0.9 per cent of the GNP (in some republics, in particular in the Region of Kosovo, the share of these resources in the total of costs for education amounts to 40 per cent). Of the total allocated from these funds for education about 40 per cent goes to elementary education.

In addition to the republican funds that exist in nearly all the republics for the improvement of their less developed regions (and this includes supplementary financing of investments in elementary, secondary, and higher education) a decisive role in the policy of equalisation in elementary education is played by the republican self-governing interested communities of elementary education. The Republican Community of Elementary Education provides for the supplementary financing of elementary schools in less developed communities in accordance with the regulations passed by the Assembly of the Republican Community of Elementary Education. All interested communities of elementary education that are not in a position to finance elementary education up to the pedagogical standard defined by the Republic are entitled to benefit from these supplementary resources to the extent of the difference between the defined pedagogical standard and the available resources of the communal community of elementary education[11]. These resources are obtained by: the application of the rate of the contribution for elementary education out of personal incomes of workers employed in the social (public) sector in the amount of 3.1 per cent; by the application of the rate of the contribution for elementary education out of personal incomes from agricultural activities in the amount of 3.7 per cent; income from contributions for elementary education out of other sources in an amount that is not lower than the average over the last three years.

Pedagogical standard involves the following elements: personal expenditures,

11. Pedagogical standard of elementary education implies educational contents and results that must be achieved under the stipulations of the curriculum and syllabuses, and the whole assemblage of material costs and requirements for successful work and advancement of elementary education.

material costs, amortization of basic means, and funds. For each of these elements, depending on the type of school (all schools in a republic are classified in 7-8 categories—beginning with one-room schools to those with 30 classrooms), the average costs are defined. For personal incomes—the post of the class teacher in classes I-IV, the post of the subject teacher (graduate of the 2-year post-secondary higher school), the post of the subject teacher (university graduate), the headmaster (headmistress), administration personnel, etc. For material costs —the average annual expenditures for the whole school. For funds—the relation of the fund of common expenditures to the gross personal incomes. For amortization—expenditures accounted to the minimum value of the school building; equipment and school aids are approved to defined amounts according to the type of school.

Self-governing interested communities of elementary education benefiting from supplementary resources for the normal run of their work in elementary schools can receive compensation also for the transport of pupils from their homes to school and vice versa (the amount of the compensation depending upon the distance from school). Due to peculiarities of the network of elementary schools the republican community provides for the compensation of the transport of pupils also in communities of education that are not entitled to supplementary resources.

Self-governing interested communities of elementary education receive supplementary finance for free text-books for pupils of elementary school at the same percentage at which the republican community participates in financing the pedagogical standard of elementary education. The total needs for free text-books are satisfied for all pupils in the first class only and for 30 per cent of the pupils of other classes of the elementary school.

Together with the republican self-governing interested communities of child care, the republican self-governing interested communities of elementary education contribute to the feeding of pupils in school canteens and to their accommodation in boarding schools. In mountainous regions lacking good communications boarding schools have been built to accommodate pupils during the week; at weekends they return home. Thus, for the accommodation of elementary school pupils in boarding schools 70 per cent of the cost is provided; the rest is covered by the communal community of elementary education.

The number of communal SGIC of elementary education receiving republican subsidies varies as between republics from 30 to 70 per cent of the total. Of the total expenditure for elementary education in these communities about 65 per cent is provided from local sources and about 35 per cent is covered by the supplementary resources from the republican community of elementary education[12].

The social policy on the equalisation of the conditions for elementary education had the following goals: the achievement of greater equality in the allocation of resources than at present; provision of the approved pedagogical standard of elementary education for all children; extension of the enrolment in elementary schools in the less developed areas; increased expenditure on materials and teaching staff with a view to getting better results in the application of the new curricula and syllabuses (the reform of elementary education is under way within the reform of the entire system of education in Yugoslavia); aid to families with low incomes (through the provision of free text-books, feeding, transport) within the scope of the general social policy for improving the living conditions of families with low

12. As already said, republican communities of education also provide significant resources for the financing of investments in elementary schools.

incomes; the amelioration of material conditions of work in special schools and bilingual schools.

The differences in units costs of education per pupil vary from commune to commune and from region to region within the range of 7 per cent and 20 per cent. These differences refer in particular to the level of the equipment of laboratories and workshops and to the costs of building maintenance (in some places the schools have gymnasiums, swimming pools, central heating, etc., while in others, in particular in rural areas, they do not have any of these conveniences). The smallest differences are in the level of personal incomes of teachers due to the regulation stipulating that the unification of teachers' personal incomes is to be brought into effect out of the Republican Community of Education resources.

The families with lower incomes receive various allowances for the schooling of their children, i.e.:

- families with income not exceeding 1 360 dinars per family member receive a monthly allowance of 270 dinars;
- families entitled to children allowance may receive additional aid for the schooling of their children;
- free text-books and 50 per cent of the costs for supplementary reading;
- the covering of the costs of the prolonged day school (with food) in the amount of 610 dinars monthly, which makes 5 000 dinars yearly;
- the covering of the costs of the 10-day stay in a health resort in the course of the school year, organised for all pupils of the given school (the parents of other pupils pay for this stay); the allowance is given in the amount of 730 dinars;
- an allowance amounting to 1 400 dinars for the covering of the costs of a 15-day stay in a health resort in the course of the summer holidays;
- the covering of the costs of school excursions in the amount of 200-300 dinars.

According to computation, the families with lower incomes receive a monthly allowance of 1 390 dinars per child, which represents 70 per cent of the lowest income. Except for this, all other allowances are paid only when they are needed by the children.

Here it should be added that education of children of Yugoslav workers in foreign countries is also financed out of the resources of republican self-governing interested communities. This covers instruction in the national group of subjects and relates to the personal incomes of teachers, the provision of text-books, reading texts, and school aids, and the cost of school programmes in the broadcasting services for Yugoslav workers abroad.

Chapter V

THE RELATIONSHIP BETWEEN THE POLICY AIMS FOR ELEMENTARY EDUCATION AND THE SYSTEM FOR FINANCING IT

THE EFFECTS OF THE POLICY FOR ELEMENTARY EDUCATION AND THE ROLE OF FINANCE IN REALISING PARTICULAR AIMS

Up to the present educational policy in Yugoslavia has been directed at the following objectives in elementary education: permanent increase in the enrolment of children in elementary education, in particular in senior classes (enrolment in the lower classes is nearly satisfactory); increase in the efficiency of elementary education; the equalisation in the staff and material standards of elementary schools; permanent improvement in curricula and syllabuses and in teaching/learning technology; innovations in the content of education, in the development of individual personality, in technology and organisation; full integration of the school with the social environment; the development of self-government in the school and of relationships between the school and other sectors of society; the development of voluntary activities by the pupils, both in school and outside (clubs, societies, sections, groups); reinforcement of the material basis (financial) in relation to the declared goals and objectives in the development of elementary education. Let us now consider some of the results.

In the last twenty years (the period of the operation of public funds for schools and of the communities of education) the following increases have been realised:

- the number of elementary school pupils increased by 52 per cent;
- the rate of enrolment of the relevant age group from 72 per cent to 96 per cent;
- the number of elementary school teachers by 150 per cent;
- the rate of completion in the elementary school from 53 per cent to 73 per cent;
- financial resources for elementary education 6.54 times[13];
- financial resources per pupil 4.30 times;
- classroom space per pupil from 1.1 sq. m. to about 2 sq. m.;
- the number of schools and classrooms of special elementary education by 86 per cent and the number of this category of pupils to 97 per cent;

13. In the same period the national income has increased 3.58 times.

— the number of elementary schools for various nationalities (ethnic minority groups) by 74 per cent and the number of pupils in these schools by 62 per cent.

The disparities in staffing and material conditions between developed and less developed areas have been reduced remarkably due to the application of various measures of social intervention for the equalisation of facilities for and accessibility to education.

Radical reform of elementary education has been carried out: the new curriculum has been passed and brought into effect; the programme for the modernisation and rationalisation of the elementary school has been elaborated and its realisation has moved ahead satisfactorily; the system of teachers' training for elementary school teachers has been changed; the network of innovative schools is being expanded, particularly as regards the content, the form and methods of the co-operation of the school with its environment and the linking of instruction with productive and other socially useful activities of pupils; programme co-ordination between pre-school and elementary school has been established, and so it has with the first two years of secondary school (the 9th and 10th years of schooling); cultural and public activities in elementary schools are widespread; the movement of pupils' voluntary membership in technico-productive, scientific, cultural, artistic and sports clubs and associations, productive working organisations, and clubs of young technicians, has attracted a great many pupils and is constantly expanding; the number of day schools offering education, instruction, recreation, and feeding has increased significantly.

In the elementary education sector, as we have already seen, democratisation has advanced considerably and the elementary school has become a self-governing institution of special interest. Teachers enjoy the same rights as all other working people in enterprises and establishments. They enjoy great autonomy in the regulation of conditions of work and in the internal life of the school. In the elementary schools the teachers exercise the following self-governing rights:

a) they take decisions on all questions relevant to the conditions of employment, the engagement of new staff, the election of the headmaster (headmistress) and operators in the management of the school, reduction of working obligations for members of the collective engaged in advanced education, and so on;

b) they dispose of allocated financial resources independently, take decisions on allotments, in particular on apportionment of personal incomes;

c) as members with full rights they make contracts with self-governing interested communities of elementary education stipulating their mutual obligations in the realisation of the policy of elementary education, they take part in the decision-making on the programme of the professional and socio-economic advanced education of their membership in institutions for education and advancement of teachers, and in the same way also the programme of development research work in pedagogical institutions is discussed by them and their members appointed for co-operation.

The measures just described and the instruments for the unification of conditions for elementary education have greatly diminished the differences in the standards of education and the living standards of teachers and the rate of enrolment in, and the completion of, elementary education within the regions and between the regions. For example, in the period 1968-1975 the differences in the costs of education per pupil in elementary schools were reduced from 30-40 per cent to 7-20 per cent, varying according to the level of development. Within given regions in this period of time the number of communes entitled

to supplementary allotments for elementary education has increased (th. criteria for the allotment of these resources have become wider). All of this h.s contributed to the growth of the rate of pupils' enrolment in elementary education and growth in the rate of successful completion. However, we are not yet satisfied with the results achieved in the unification of conditions for elementary education, as we have already explained in Chapter IV.

CHARACTERISTIC PUBLIC OPINIONS ON THE ECONOMIC, SOCIO-POLITICAL AND CULTURAL FUNCTIONS OF ELEMENTARY EDUCATION

As already pointed out, elementary education in Yugoslavia enjoys priority in educational and social policies at all levels and the goals for its development are integral parts of the development plan for society and the economy from the local community up to federal level. Priority is given to elementary education also in the publications and in the political activities of the League of Communists, the Socialist Alliance of Working People and the Federation of Labour Unions. Elementary education is now generally regarded as a national obligation which should involve provision for an 8-year period. There are many examples of citizens voting in referendums for an increase in the contribution for elementary education, showing their willingness to pay more than had been proposed by the assembly of the local community (formerly) and the assembly of communities of elementary education (today). The voluntary contributions of citizens, a significant source for the financing of elementary education, is also evidence of the very favourable attitude towards this subject.

In all important discussions on elementary education and in all public discussions of relevant published documents[14] appreciation has been shown for its economic, socio-political and cultural value and its general significance in the national life. Care has been taken to popularise as widely as possible the findings of research carried out abroad in the economics and sociology of education as well as results obtained from research work in the same field carried out in Yugoslav enterprises and local communities. Very significant findings have resulted from our research on the influence of elementary education on the participation of workers in the process of self-governing decision-making and on the cultural life of working people (improvement in reading books and daily newspapers, going to the theatre and to other cultural events and so on). Without having had some elementary education it is nearly impossible to get employment in Yugoslavia, while the attainment of a professional qualification in any occupation is possible only after the completion of the full 8 years at school.

In spite of the significance generally attributed to elementary education in Yugoslavia, there prevails an opinion that it has not yet reached the stage for more accelerated development; there is still, too, a mismatch between the policy goals of elementary education and material means for realising them. It is very often pointed out, for example, that working people and citizens are willing to

14. Examples of such documents are: the Draft of the Mid-term and Long-term Development of Elementary Education; the Draft on Common Bases of Unique Curriculum of Elementary Schools; the Basic Criteria in the Allotment of Financial Resources by Self-governmental Interested Communities of Elementary Education; the Basic Principles of Staffing Policies in Elementary Education; the proposal of the Programme of the Modernization of Elementary Education.

increase their contributions for elementary education, but their means of doing so are limited by other common or personal needs. The reason, therefore, lies in the conditions in Yugoslavia, where maximum efforts are made for the development of tech. ico-productive potentials, for the raising of the living and cultural standards of the po. lation and for the development of self-government[15].

15. In Yugoslavia the national income per capita is only 1 050 $. The share of the population engaged in agriculture is 40 per cent in the structure of the active population.

Chapter VI

A SURVEY OF PROPOSED CHANGES IN THE SYSTEM FOR FINANCING ELEMENTARY EDUCATION AND THE EFFECTS EXPECTED IN THE REALISATION OF AIMS IN THE COURSE OF ITS DEVELOPMENT

In the long-term social and economic development of Yugoslavia up to 1985 the main policy aims for the further development of elementary education will be: the attainment of complete enrolment of school age children in elementary education (in the majority of republics it is already 96 per cent); an increase in the rate of the completion of elementary school from 73 per cent to 88 per cent; the application of the new elementary school curriculum where conformity has been fully achieved as between the last year of pre-school education and elementary education on one hand, and elementary education and the first two years of secondary education on the other (the first two years of secondary education now are common for the whole age group and have the character of general education); the realisation of an extensive programme for modernising educational technology (taking advantage of recent advances within Yugoslavia and abroad); reducing as far as possible the disparities in educational standards between the schools in developed areas and those in the remoter parts; further improvement in the working conditions and the living standards of teachers and assurance that such standards correspond with their contribution towards the betterment of the individual and of the society; further improvement in the system of self-government and reward according to the results of work in the relationship between the school and the society (in particular the self-governing interested community of elementary education) as within the school itself. The realisation of such ambitious plans and society (in particular the self-governing interested community of elementary for financing elementary education as an integral part of the system for financing education as a whole.

In the matter of financing elementary education no radical changes are expected, either as to sources or instruments. However, experience hitherto indicates that in the financing of elementary education, particular attention will have to be paid to the following points:

a) those responsible for the policy aims for elementary educational development must make adequate provision for the realisation of these aims;

b) enforcement of the function of the self-governing interested community of elementary education and of the role of working people and citizens in managing affairs of elementary education, in particular in the allocation of resources;

c) referendum, as the most democratic form of decision-making by citizens, should play the principal role in determining policy and resources for elementary education, on the basis of the established pedagogical standard;

d) the criterion for obtaining finance for the educational activity of the school (on the principle of incomes and price of education) should be the school's programme, conceived in terms of efficiency in the teaching/learning process and rational benefiting of resources;

e) self-governing agreement and social agreement (instead of government regulations) should be the basic method of regulating socio-economic relationships in elementary education, in particular in determining the price of education, the pedagogical standard and corresponding norms, the organisation of work, and in decision-making on the plans and programmes of elementary educational development;

f) the present system of financing investment should be improved, the system of crediting construction investments in elementary education should be elaborated, including the benefiting of advantages conferred to individual economic investments (lower rates of interest, longer terms of repayment, etc.);

g) the system of supplementary financing of elementary education should be amended to assure equal quality in all schools over the country, regardless of the level of the cultural and economic development of the school environment;

h) within the scope of solidarity and mutual aid all children coming from families with lower incomes should be provided for with all supplies needed for efficient school attendance (text-books, reading books, clothing, feeding in school canteens, transport fares, excursion and holiday costs, etc.).

The dynamics and the extent of the realisation of these aims depends upon the implementation of the long-term plans for social and economic development in individual republics, in the Region of Kosovo, and, indeed, in Yugoslavia as a whole. Bearing in mind what has been achieved already and the general attitude towards elementary education we may be optimistic in our expectations.

Chapter VII

CONCLUDING REMARKS

The purpose of this has been to describe the system and policies for financing elementary education in Yugoslavia, first nationally, and then at the levels of republic, local community and the school. The study has concerned itself with theoretical considerations, practical solutions, the effects of the application of relevant instruments, and problems that are still outstanding.

The author has already suggested appropriate conclusions and made certain generalisations in the course of his narrative and there is no need to repeat them here. In this concluding section therefore we will rather attempt to respond to the following three sets of questions posed at the outset of the study and based on the material presented above.

1. Has educational finance had to conform to the general system of public finance of the country in such a way that important educational goals have been difficult to attain? Or, has that conformity made these tasks easier? Has educational finance been deliberately structured to assist in reaching certain specific educational policy objectives? Has it fulfilled those expectations?

2. Are there financing arrangements for primary education that have produced strong effects on educational operations? Which of these effects are supportive of important policy objectives for education? Which of these effects hinder the achievement of important goals? Has the context of political, legal and/or administrative structure been of decisive importance in producing these results? Are there other elements of the national context (history, culture, economic situation, etc.) that have been decisive, or in some way controlling?

3. What is the extent to which inequalities (disparities) in the provision of primary education reflect inequalities in the production of revenue and in the allocation of resources? To what extent does the country's policy aim at eliminating inequalities in educational provision that might flow from such causes and, if this *is* an important objective, to what extent are the financial instruments that are used successful in that effort?

To what extent are inequalities in the support of primary education for identifiable groups the result of deliberate policies? What constitutes a "legitimate" inequality of support for primary education?

In Yugoslavia the system of financing education as a whole (including elementary education) had to be brought into accord with the system of financing other public activities, in particular scientific research and culture, although it has still preserved some individual peculiarities. It is possible to allocate financial resources out of the total income of economic enterprises and so defray material costs (which is not the case with other public activities) and certain audio-visual aids (TV, radio, tape-recorder, etc.), when purchased by schools

for instruction purposes, are exempt from all turnover taxes, and so can be obtained with less expense. Voluntary contributions, as an aspect of voluntary individual investment in education made by citizens, is a phenomenon of considerable importance at the elementary level. In spite of all of this, however, financial resources for elementary education, although planned in accordance with the needs arising from the policies for its development, must be related to the total financial burden of the economy (a certain balance is made within the "approved" rate of burden on the economy for the needs of general and common consumption). Here one must bear in mind also a number of other instruments and funds intended to resolve the problems of economic development in certain areas of Yugoslavia. These also assist in the realisation of particular policy aims for educational development (we have spoken of this already).

Because of the specific role of elementary education and its priority in educational and social policies in all republics and regions of Yugoslavia, special arrangements (financial and others) have been made for it. In one republic a several-year programme of investment in new school buildings was accepted in plebiscite where the working people and citizens voted for voluntary contributions and a general national loan. In another republic an extensive programme for introducing TV in elementary schools under the slogan "5 000 new TV sets to schools" was carried out jointly by the republican community of elementary education, the RT Beograd, the Republican Institute for School Supplies and Equipment, and the working collective of the factory of TV sets. Similar cases appear also in other republics and regions, depending on the needs of elementary education and on socio-political and professional initiatives.

The present study has shown clearly that territorial inequalities (the differences in the amount of the national income per capita, the structure of active population, the professional qualification structure for the employed, cultural potential, the rate of urbanisation, and so on) have decisive influence upon the amount of money available for the financing of elementary education and consequently, its quality. It is understandable, therefore, that in the policy of supplementary financing of elementary education in less developed communities the criteria applied are those that take into account the differences in the level of economic and cultural development. On the other side, the entire policy of assisting economic development of less developed areas (the instruments of assistance have already been described) is aimed towards their accelerated development so as to improve the living and working standards of the population and of elementary education.

From all that has been said here, it will be understood that the system of education (in the sense of programmes, curricula, technology, and organisation), the global policy of educational development, the legislative and normative regulations and the material and financial basis of educational development are within the jurisdiction of republics, regions, and communes (the assemblies of socio-political and self-governmental communities). However, through various bodies and organisations at Federal level, unity of action, consultation, exchanges of experiences and mutual information, co-ordination and agreements are also realised. On the level of the Federation, within the scope of middle-term and long-term plans for social and economic development, strategic objectives and trends of educational development and staffing are determined in general outline. In the Federal Government there is a special committee for science and culture where the problems of educational development are also studied and discussed with delegates from republics and regions, and on the basis of agreements, co-ordination is effected in the educational field. Additionally, there is also the so-called Inter-republican Commission of Educational Reform (composed of republican secretaries/ministers of education, directors of republican institutes

of educational research and development, and presidents of republican councils of education) and the Yugoslav Conference of Institutes of Educational Research and Development. Within these common bodies, trends in the development in education are proposed, consultations and agreements are made, information is exchanged, and decisions are finalised on joint action that will be taken. This might concern the elaboration of common bases for the reform of the system of education; definition of common principles for the elaboration of curricula and syllabuses; policy for the publication of text-books and hand-books and other reading matter for teachers and pupils; the development of research in education; or problems encountered by children of Yugoslav workers employed abroad. International co-operation in the educational sphere is realised, chiefly, through the Federal Institute for International Scientific, Technological, Educational and Cultural Co-operation and analogous republican and regional institutes and commissions. Co-operation within the country itself is realised through the Yugoslav Community of Universities, the Yugoslav Community of Publishers of Text-books and through various forms of co-operation between the representatives of committees and commissions of the assemblies of republics and regions and of the assemblies of republican and regional self-governing interested communities of education. A very significant role in such co-operation is played by the appropriate socio-political organisations.

APPENDIX

The relationship between variations in the national income, the number of pupils, and the financial resources for elementary education in Yugoslavia.

1955 = 100

Year	Coefficient of change			
	National income	Pupils' enrolment in elementary education	Financial resources for elementary education[a]	
			Total	Per pupil
1955	1.00	1.00	1.00	1.00
1956	0.94	1.06	1.09	1.03
1957	1.16	1.13	1.29	1.14
1958	1.18	1.20	1.59	1.33
1959	1.39	1.26	1.92	1.52
1960	1.47	1.35	1.99	1.47
1961	1.55	1.44	2.41	1.67
1962	1.61	1.50	3.29	2.19
1963	1.81	1.54	3.57	2.31
1964	2.02	1.55	4.40	2.84
1965	2.04	1.54	4.12	2.68
1966	2.22	1.53	4.12	2.69
1967	2.28	1.52	4.57	3.01
1968	2.36	1.50	4.84	3.23
1969	2.61	1.49	5.46	3.23
1970	2.77	1.48	5.99	4.05
1971	3.00	1.47	6.54	4.45
1972	3.14	1.48	6.47	4.37
1973	3.29	1.51	6.89	4.56
1974	3.58	1.52	6.54	4.30

a) In permanent prices from 1966.

Source: Statistical Yearbook of Yugoslavia, 1975; Yugoslavia 1945-1974.

The relationships between variations in the number of pupils and financial resources per pupil in elementary school and at other levels of education in Yugoslavia

1955 = 100

Year	Coefficient of change							
	Enrolment in				Financial resources per pupil[a]			
	Elementary education	Secondary education	Post-sec. and higher education	Total	Elementary education	Secondary education	Post-sec. and higher education	Total
1955	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
1956	1.06	1.06	1.01	1.08	1.03	0.97	1.00	0.99
1957	1.13	1.12	1.07	1.16	1.14	0.96	1.03	1.07
1958	1.20	1.16	1.24	1.22	1.33	1.26	0.93	1.20
1959	1.26	1.29	1.38	1.28	1.52	1.26	1.12	1.39
1960	1.35	1.50	1.47	1.37	1.47	1.21	1.24	1.40
1961	1.44	1.70	1.66	1.47	1.67	1.35	1.53	1.82
1962	1.50	1.61	1.80	1.56	2.19	2.40	1.78	2.19
1963	1.54	1.72	1.85	1.60	2.31	2.56	1.95	2.36
1964	1.55	2.01	1.87	1.64	2.84	2.60	2.17	2.60
1965	1.54	2.28	1.87	1.66	2.68	2.38	2.16	2.66
1966	1.53	2.44	2.14	1.68	2.69	2.20	1.77	2.59
1967	1.52	2.52	2.33	1.68	3.01	2.50	1.85	2.93
1968	1.50	2.60	2.50	1.70	3.23	2.62	1.86	3.10
1969	1.49	2.80	2.87	1.70	3.23	2.64	1.73	3.43
1970	1.48	3.00	3.00	1.72	4.05	2.76	1.90	3.77
1971	1.47	3.12	3.22	1.73	4.45	2.93	1.99	4.13
1972	1.48	3.20	3.36	1.75	4.37	2.83	1.89	4.28
1973	1.51	3.28	3.56	1.75	4.56	2.68	1.87	4.24
1974	1.52	3.40	3.83	1.78	4.30	2.45	1.86	3.96

a) In permanent prices from 1966.

Source: Statistical Yearbook of Yugoslavia, 1975; Yugoslavia 1945-1974.

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